HERRON TODD WHITE RESIDENTIAL

Residential

June 2020

National Property Clock: Houses

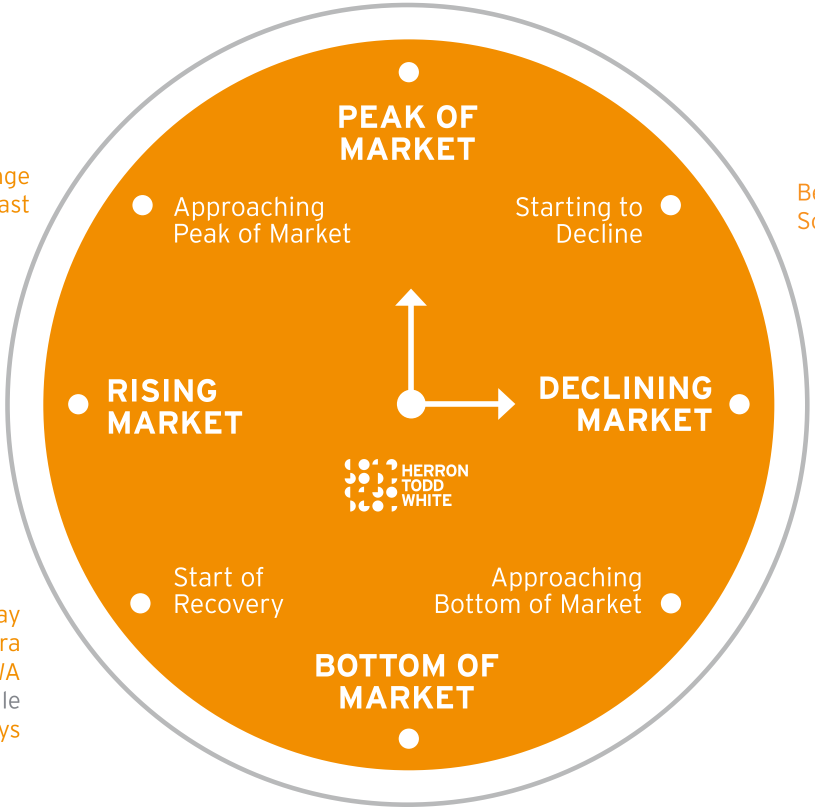
Entries coloured orange indicate positional change from last month.

Central Coast
Coffs Harbour
Mid North Coast
Newcastle

Bathurst
Gold Coast
Melbourne
Orange
Sunshine Coast

Adelaide
Adelaide Hills
Albury
Ballarat
Barossa Valley
Brisbane
Burnie-Devonport
C'berra/ Q'beyan
Echuca
Gippsland
Hobart
Iron Triangle
Launceston
Lismore
Mount Gambier
Tamworthh

Cairns
Emerald
Gladstone
Hervey Bay
Ipswich
Mackay
Mildura
South West WA
Townsville
Whitsundays



Bendigo
South East NSW
Sydney

Alice Springs
Bundaberg
Darwin
Perth
Rockhampton
Toowoomba

RESIDENTIAL

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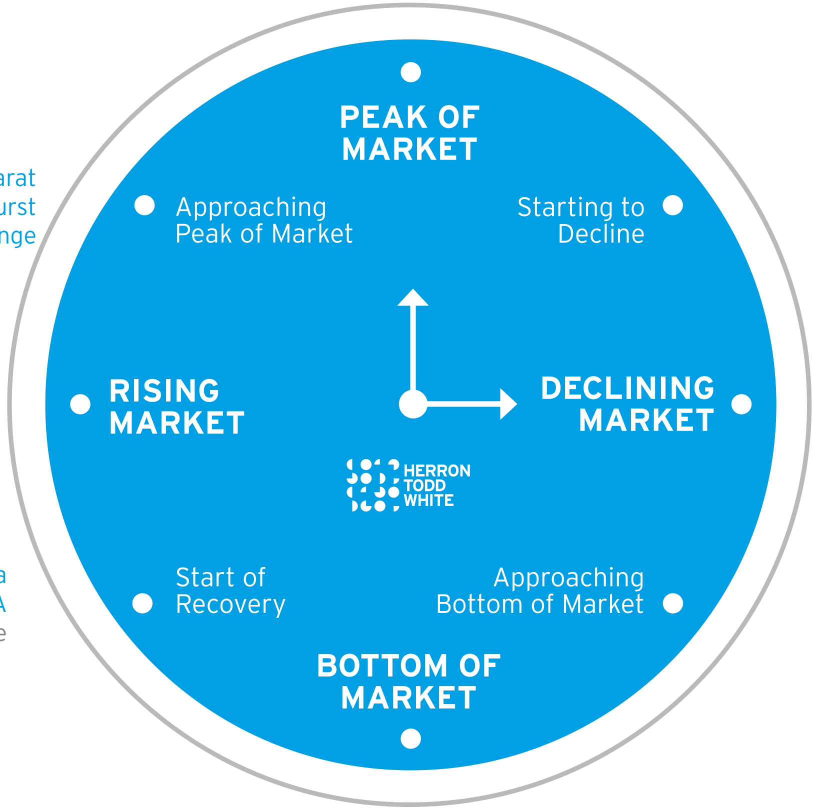
National Property Clock: Units

Entries coloured blue indicate positional change from last month.

Central Coast
Coffs Harbour
Gold Coast
Melbourne
Mid North Coast
Newcastle

Ballarat
Bathurst
Orange

Bendigo
C'berra/ Q'beyan
South East NSW
Sydney



Burnie-Devonport
Echuca
Gippsland
Hobart
Launceston

Lismore
Mount Gambier
Sunshine Coast
Tamworth

Brisbane
Perth

Emerald
Hervey Bay
Ipswich

Mildura
South West WA
Townsville

Adelaide
Adelaide Hills
Albury
Alice Springs
Barossa Valley

Bundaberg
Cairns
Darwin
Gladstone
Iron Triangle

Mackay
Rockhampton
Toowoomba

RESIDENTIAL

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New South Wales

CEO'S ADDRESS

We're approaching the halfway point of what will go down in history as one of the world's most significant years

Certainly the Australian story of 2020 has been one of challenge, but we have collectively addressed the threats presented by global issues and, so far, succeeded well beyond expectation.

Much of this success comes down to two traits – resilience and adaption. The ability to not only bear the brunt of the trials head on, but also find ways to cope and ultimately thrive under testing circumstances.

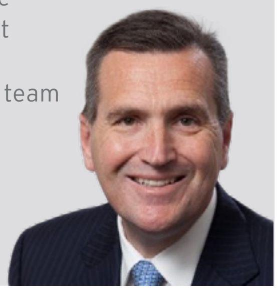
These traits are exemplified in residential renovation as well. The ability to successfully add value and liveability to property through modifications takes planning, persistence and vision. It also requires independent advice from the country's most talented specialists.

At Herron Todd White, we are making it our mission to lead the way. Our valuation teams are using their local knowhow to look past broad generalisation of market performance and provide tailored advice to clientele.

And there's never been a more important time for clear-headed expertise to be the foundational source of information when it comes to decisions about your financial future.

We stand ready to provide unparalleled, independent property advice from Australia's most talented team of professionals.

Gary Brinkworth
CEO



Overview

In locations across the nation, the downtime delivered by isolation has spurred on owners looking to improve their assets through maintenance and upgrade. Similarly, anyone with the financial means who's keen on more substantial renovation will find willing trades and suppliers hoping to quote.

This month's submissions highlight where renovations are on the rise and the price points and outcomes those markets can expect.

Sydney

Firstly, a short COVID update.

Since last month's edition, we have seen the number of daily new cases of COVID-19 in New South Wales remain low.We have also seen the first stage of the easing of restrictions and also the lifting of restrictions on live auctions and open homes.This has at least made the process of selling more straightforward and has seen an instant bounce to auction clearance rates, back up above 70% for Sydney, mainly as a result of the number of auction withdrawals returning to more normal levels.

The last month has still seen prices remain fairly stable overall, however as discussed previously, there are some localities and price points seeing some discounting.This is mainly due to the number of new listings remaining subdued, meaning that supply and demand are staying relatively in balance.The concern is what will happen later in the year when government stimulus and mortgage pauses end.There potentially could be a significant increase in new listings, some under distressed circumstances, which could have a large impact on prices heading into 2021.

In the rental market we have continued to see an increase in vacancy rates and a fall in asking rents. Houses, somewhat surprisingly, have experienced a quicker fall than units over the past two months. With restrictions around travel within the state and within Australia likely to be eased in the coming weeks and months, short-term holiday rentals that have been transferred to the long-term rental market may start to transfer back to the holiday market, easing vacancy rates.

Source: CoreLogic

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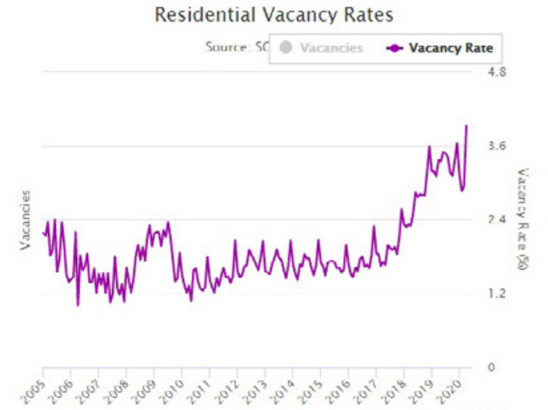
RESIDENTIAL VACANCY RATES

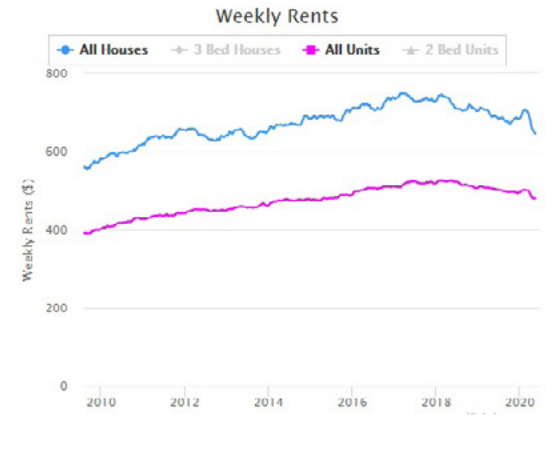
CITY: SYDNEY



Source: CoreLogic

WEEKLY RENTS

CITY: SYDNEY



Source: CoreLogic

Now, onto our renovation conversation
Renovation is a popular option in many parts of Sydney, particularly in inner Sydney and harbour side locations where extension and renovation of an existing home is a more viable option than a knock-down and rebuild.

These areas often have heritage and other planning restrictions that make it difficult to get approval to do a complete rebuild.In addition, it is also desirable to maintain the period features of older dwellings whilst upgrading the fit out and increasing the floor space.

In the middle and outer rings, there is more of an appetite for knock-down and rebuild, increasingly for duplex and small townhouse style developments to take advantage of larger land parcels.Granny flat builds continue to be a popular option in these areas too, either for extended families or for those looking to obtain some additional rental income.

This doesn't mean that renovations aren't an option here, as owners look to enhance their homes by something as minor as a fresh paint or some additional landscaping, through to a full blown second floor addition and full renovation.

Inner Sydney
It is not uncommon to see residential properties undergoing renovations throughout the inner suburbs of Sydney.Narrow laneways with skip bins and trucks parked on the kerb is an all too familiar sight for many older heritage style localities in suburbs such as Glebe, Surry Hills and Darlinghurst. This trend has been evident for many years now and we expect it to continue into the future, even within this current COVID-19 pandemic.

One of the reasons we anticipate minor renovations to be evident in the short term is due to people being locked-up at home and looking for constructive projects to complete around the house which will serve many purposes such as increasing the presentation of their homes and also providing much needed stimulation throughout this lockdown period.This could partially explain the continued demand and long queues at Bunnings Warehouse over recent weekends.Even larger renovation projects have continued to be evident as owner-occupiers look to improve the value of their properties and engage builders and tradesmen at potentially reduced costs, at least in comparison to recent years.A slowing construction sector, low interest rates and lack of supply in many locations and sectors are likely to encourage renovation projects in the near future.

Investment properties such as older style home units are also likely to see continued renovations as potential tenants are provided with greater choice at reduced asking rents.It will be imperative that investment properties are presented in the best possible condition, otherwise tenants will quickly choose a competing property in superior condition or alternatively demand a discounted rental price for any sub-par properties.

When renovating it is essential to understand the main goals for doing so, whether that be to sell, rent, or purely to renovate to personal taste to live in long term regardless of how this appeals to the local market.A few significant aspects to consider when deciding to renovate are in relation to possible heritage restrictions, planning limitations, site access and the scope of works being carried out.

We hear of many renovation success stories, however a significant part of this requires understanding the intended personal objectives of renovating a property and if renovating with the aim of selling for a profit, then timing of the market cycle (which can involve some level of luck) is important.Some other techniques to ensure

47 Wigram Road, Glebe Source: realestate.com.au

47 Wigram Road, Glebe Source: realestate.com.au

renovations are not overcapitalising is by focusing on what the local market desires most, researching recent sales of similar properties (on completion of the renovations) and then ensuring the cost to do the chosen works does not blow out your budget or exceed the market value of the finished product.

A recent example of a blank canvas property in Glebe, which sold for $1.86 million at an online auction on 4 April, almost $200,000 above reserve, indicates that there is still demand for this type of original property that requires a full renovation.

Eastern Suburbs

The majority of development applications in the eastern suburbs relate to renovations and extensions.Renovations are generally made by owner-occupiers looking to enhance their current home to meet their changing needs and include examples such as renovations of terraces in Paddington and Woollahra, to second storey additions to semi-detached homes in Maroubra and Randwick, to huge extensions and renovations to large prestige homes in Vaucluse and Bellevue Hill.

While we do see full renovations of units and townhouses in the eastern suburbs, it is more often the case that a part renovation is undertaken to get an uplift in rent for investors, or an uplift in price for owners looking to sell after the renovation.These renovations often focus on the works that will give you more bang for their buck such as a new kitchen, bathroom renovation or new floor coverings.

Given the local government areas of Woollahra, Waverley and Randwick have a significant proportion of development applications relating to renovations and extensions, we took a look at the number of new development applications lodged so far this year and how that compared to last year.

In the period to the middle of May this year, Woollahra LGA saw 150 new development applications lodged.This was slightly down on the 170 lodged over the same period last year. Waverley had 150 in both years, while Randwick dropped from 270 last year to 215 this year. These numbers may reflect the stronger property market conditions in the first quarter of 2020 compared to 2019, with owners looking to sell rather than stay and renovate, but may also indicate that some owners may be placing larger renovation projects on hold under the current COVID-19 environment.

A good example of uplift in value from renovating in the eastern suburbs is a property at the southern end of the region in Chifley. The original two storey, semi-detached, four-bedroom, two-bathroom dwelling situated on a thoroughfare opposite Long Bay Correctional Facility, sold in September 2018 for $1.15 million. After a full renovation, the property resold in November 2019 for $1.9 million, more than covering the cost of the renovation.

1323 Anzac Parade, Chifley BEFORE Source: CoreLogic

1323 Anzac Parade, Chifley AFTER Source: CoreLogic

Another example at 9 Jane Street in Randwick saw a detached, single level cottage sell originally for $2.1 million in June 2019, then undergo a full renovation, before selling again in April for an undisclosed price above $3 million.

Both of these examples also benefited from an improving market between purchasing and selling. This is an important consideration for anyone looking to flip, as in a falling market it may be difficult to cover your total costs after completing the renovation.

Northern Beaches

The Northern Beaches area is heavily owner-occupier driven and most renovations occur for this purpose, whether that be for first-home buyers looking to add value or families looking to upsize but remain in their existing homes.

Freshwater is one of the most active suburbs for home renovations at the moment.The suburb has one of the highest number of outstanding development applications in the Northern Beaches Council with around 30, particularly high considering the size of the suburb.

Entry level into the Freshwater market for housing is typically $1.5 million to $2 million, depending on the position in the suburb, land characteristics and accommodation size.Generally speaking, construction works typically return their cost and often a profit.It is prudent to analyse sales in the local area of finished, renovated homes if creating equity is a major factor in your decision to renovate. The sales will assist in determining what the market is willing to pay for certain products, help set a construction budget and provide design ideas and concepts that the local market is receptive to.

A recent example of this is 70 Soldiers Avenue, Freshwater which sold for $2.725 million on 9 April 2020.This circa 1960s, four-bedroom, three-bathroom property recently underwent a full renovation and is a good benchmark for owners looking to renovate their existing homes in the suburb.

70 Soldiers Avenue, Freshwater Source: CoreLogic

A Killara property BEFORE Source: CoreLogic

A Killara property AFTER Source: CoreLogic

Prestige/Upper North Shore

The prestige market on the Upper North Shore is seeing plenty of renovation activity, although this is not uncommon for this area of course.It can traditionally be very hard to find a property that ticks all of your boxes at this higher end of the market, so usually buyers or owners are willing to renovate as needed and are more likely to have the funds to do so.This has become even more pronounced with the dramatic drop in the amount of stock coming onto the market during this COVID-19 period.Home-owners who were looking to potentially upgrade prior to March this year may now be nervous due to the current uncertainty in the market and decide to renovate instead.These same owners may now have slightly more time on their hands too, allowing them to investigate the renovation and associated DA process.

Renovations on the Upper North Shore, assuming undertaken to a quality standard, traditionally provide the added value of the completed work at a minimum.Of course there is always the odd property where over-capitilisation has occurred, but it is hard to go wrong in this sector of the market if owners follow the basic renovation rules.

An example of a recent purchase and renovation job re-sold in March this year for a substantially higher price.The period property in Killara sold in May 2015 for $2.75 million and was in dated condition throughout.After some small extension work, floor plan re-configuration and a full internal renovation, the property re-sold in March this year for $6.1 million.Of course there has been some market growth over this period too, but it is still a good example of the added value of quality renovation works.Situated on a good sized block with a highly desirable north-to-rear aspect and located in a well-regarded street, this was always going to see a substantial increase in value.

Western Sydney

If the queues at Bunnings are anything to go by, home renovation seems to be on the rise in western Sydney.Niggling jobs that have been put on the backburner are now being addressed, be it patching a hole in the wall, reconfiguring the rear garden or even a second storey extension.

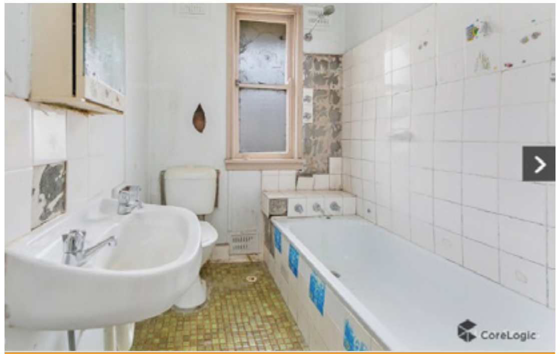
Western Sydney is a diverse area for real estate and this allows residents a larger choice in property. Families who have outgrown their existing property have a number of options such as upgrading to a new property in the growth areas or buy an existing dwelling and renovate.

The north-west and south-west growth precincts have seen substantial development of new dwellings on smaller allotments over the past five years, with many buyers upgrading to these ready-made new products rather than undergoing an extensive renovation on their current dwelling.

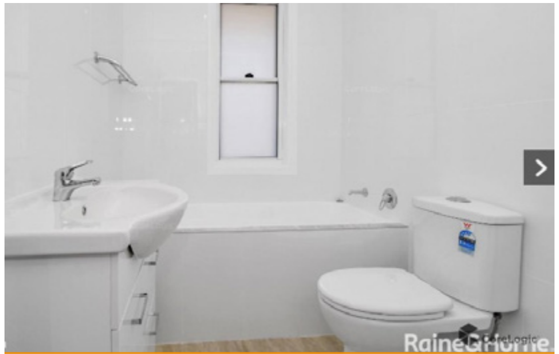
Given the lower price points in western Sydney compared to eastern Sydney, it is vital to analyse the current renovated sales to ensure you are not overcapitalising.This is particularly important for investors as it is dead money that could have been used elsewhere.Owner-occupiers may not be as concerned as over time these costs will be absorbed as the market improves.

For years, investors have been actively buying older run down properties in western Sydney and updating the dwellings to not only add value but increase rental return.The addition of a well-placed granny flat in the rear yard further increases the yield for the investor.

An example where this has worked is in Whalan in the Blacktown LGA. This three-bedroom, one-bathroom dwelling sold for $366,000 in February 2019 and after undergoing a full renovation, sold



A Whalan property's bathroom before Source: CoreLogic



A Whalan property's bathroom after Source: CoreLogic

for $520,000 in February 2020 through Raine & Horne Penrith.

Regarding the cost to renovate, it seems that engaging a skilled tradesperson to complete some work is not a cheap exercise.One has only to look at the number of shiny, dual cab utes on development sites to see that skilled tradespeople are in hot demand, mostly thanks to the amount of infrastructure and construction within the Sydney metropolitan area.

In Prestons, the difference between a renovated and unrenovated entry level home is demonstrated by the results of two sales this year.18 Cedar Road, an unrenovated property, sold for $676,000 in January, while 32 Grevillea Crescent, with a basic internal renovation, mainly to the kitchen and bathroom, sold for $740,000 at the end of March. Whilst not a large uplift, it would easily cover the cost of completing the renovation works.

Lismore/Casino/Kyogle

Following the COVID-19 restrictions in place from early March 2020, the question frequently asked is "How will the property market react during and after COVID-19?"Nothing much has changed since our foray into this loaded question last month, apart from the fact that at least some restrictions are slowly being lifted.

It is true that discussions with local real estate agents in the Lismore, Richmond Valley and Kyogle areas have indicated that general sales activity and enquiry have remained quiet.... however, there does not seem to be any sense of a catastrophic drop in prices expected.Providing locals are able to get back to work or retain employment and regain some sense of normality, a few brave souls have hinted at a launching pad for the local property market to rise!Think about it; the unprecedented low interest rates are unlikely to rise quickly due to a willingness by government and lenders alike to encourage the country to get going again...and this could be a scenario for some time yet.If a potential property investor, first home buyer or upgrader has all the boxes ticked for the lender, today could be a very good time to buy.

SOLD

Three-bed dwelling
Lismore
$300,000 - $400,000

Three-bed dwelling
Casino/Kyogle
$250,000 - $350,000

Rental accommodation queries remain relatively strong.

With interest rates now at record low levels, there are a number of opportunities some may not have considered outside of the desire to buy a new build. Renovation could potentially feature in the minds of investors, developers, first home buyers and even upgraders.Borrow a few dollars to put some new life back into the tired and dated home.

Cost is naturally going to be a key ingredient in the decision making as well as the end value of the final product.

The option to do this in the Lismore region is to find an established, three-bedroom, two-bathroom dwelling within the $300,000 to $400,000 price bracket.For, Casino and Kyogle, a similar real estate product would be in the region of $250,000 to $350,000.

There is no particular area of Lismore, Casino or Kyogle that has the upper hand on renovation activity.... diamonds in the rough can be found anywhere if you look hard enough.

Renovating an established dwelling rather than commencing a new build can achieve a lot....if done properly.A budget of less than $100,000 could provide an updated kitchen, bathroom, ensuite, general interior and exterior painting and floor coverings.Provided the renovation work emphasises the positive features that are already there OR introduces new features that the market place desires (do your homework for the areas you wish to invest or live in as each locality is different), then the cost to added value ratio could yield some reasonable capital gain....and nicer digs to reside in!

However, the trick is not to over capitalise.

A good option is to seek out those large homes with only two bedrooms and a large living space.Cut the living room to provide a third bedroom and the rental would naturally improve to reflect that of a three-bedroom home.

Older style, turn of the century homes are quite popular for those with an interest in timber and the old world appeal.One good example is a property in Cathcart Street, Girards Hill, out of the flood area and an easy walk into the CBD.The property is a beautiful, circa 1880s timber home with expansive verandahs and fully renovated interior that maintains the heritage character set amongst well established landscaping, trees and mature gardens.It sold for $880,000 in mid 2019, the price being a record for the suburb of Girards Hill in recent years.However, the cost to renovate and maintain such prized, older-style, weatherboard homes needs to be strictly monitored as one could easily get carried away.

In summary, from a conservative perspective, the purchase of an established house with opportunities to renovate would be a more viable option and purposeful stepping stone to something newer in the future without the millstone of large debt around the neck.

There are land and house packages available today which are competitively priced but are still above the expected price for an established dwelling of average to moderate appeal.Besides, the established house does provide the opportunity for the owner to put their stamp of identity on the renovation project whereas a house and land package is simply that - what you see is what you get and any subtle changes to the design could bring on a wallet attack.

Byron

One month on and what was a blurry view of the post-COVID-19 property market is slowly coming into sharper focus, however with updates on travel restrictions, infection rates and government assistance packages coming at us thick and fast, the situation could be best described as fluid.

A month ago, we were staring down the barrel of a lock down into September.The latest, good news is that intrastate travel in New South Wales will now be allowed from the start of July.This will be a welcome relief for the cash strapped tourism sector in Byron Bay and the surrounding shire. Whilst the lucrative overseas market and interstate market is still out of reach, any visitor numbers are better than no visitor numbers for now.That is the good news.There is, however, mounting evidence that residential sale prices in the shire may have softened since the start of the COVID-19 pandemic.

The following three examples show that some sellers have had to accept lower sale prices post-COVID-19 after listing their properties pre-COVID-19.Exact property addresses are not given to protect the vendor's and buyer's privacy, however these are confirmed sales unless stated otherwise.

1. **Acreage property, Binna Burra.**Listed in February 2020 for $1.35 million.Sold in April 2020 for $1.2 million, an 11.1 per cent difference between list price and sale price.
2. **Acreage Property, Nashua.**Listed in February 2020 with a price guide of $1.29 million to $1.41 million.Sold in April 2020 for $1.08 million, a difference between price guide and sale price of 16.3 to 23.4 per cent.

The following three examples show that some sellers have had to accept lower sale prices post-COVID-19.

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3. **Duplex unit, Byron Bay (under contract).** Listed in February 2020 with a price guide of $1.1 million to $1.2 million.Price guide adjusted in April 2020 to $995,000 to $1.065 million and is now under contract for $1.02 million, a difference between February price guide and sale price of 7.2 to ten per cent.

Buyers and sellers should not be alarmed by these examples, but they should be alert to the fact that some properties are selling at prices well below the seller's expectations.In the current market, sellers should be keeping right up to date on what is happening in their locations and be prepared to listen to the market rather than their hearts.Buyers too, need to do their research, as there appears to be the opportunity to purchase at the lower end of some sellers' price expectations.

The bottom line is that there appears to be increased volatility across the market and at the moment, residential property can be expected to sell within a wider than usual price range.

Buying a property at the lower end of the price range increases the opportunity to renovate for profit.Renovating for profit is, however, traditionally fraught with danger due to cost overruns, over capitalising and market movement. It is best left to experienced renovators; novices need to tread carefully.The Byron Shire is largely established with only a small number of residential estates offering new builds in the hinterland localities of Mullumbimby and Bangalow. There are many older units and houses in beachfront towns and hinterland localities that could be described as ripe for renovation. Well-renovated character homes (timber houses from 1900 to the 1960s) are particularly desired in the market and could be targeted by a buyer renovating for profit.

One of the more fashionable and profitable ways for owner-occupiers to add value to their properties in recent years has been the addition of a second dwelling or studio to their land. The construction of a council-approved, self-contained bungalow or studio in a backyard has given many Byron Shire residents a steady income stream or somewhere for the extended family to live.Notwithstanding the current over supply of rental properties brought about by COVID-19 (see last month's Month in Review comments), there has been a shortage of properties to rent in the Byron Shire over the past few years and many homeowners and investors have sought to capitalise on this with a bungalow or studio addition.

Typically, a small two-bedroom studio or bungalow will cost around $175,000 to build, all in.It will rent (depending on location) for approximately $375 per week or $19,500 per annum, gross rent.While you still have to factor in increased mortgage payments, management fees, vacancies, insurance premiums, etc., this represents a gross return of 11% on your investment.

So, who wants to build a bungalow in Balgalow?

Clarence Valley

Feedback from the market is that sales volumes are down, enquiry is down and holiday rental demand is down.Agents are reporting that some have taken their listed properties off the market, previously listed holiday properties are being leased out permanently, adding more supply and reducing rents.Agents are noting though that they are seeing less volume, there are more quality enquiries for sales properties.Value levels seem to have remained relatively stable until now.

Prior to the Coronavirus, renovation was quite strong in the area due to the market rewarding updated, well-presented properties.Renovation works are expected to be less common due to the Coronavirus.Renovations may occur in the main parent home as children lose their jobs and want to return home under the safety of greater equity held by their parents in these uncertain times which have negatively impacted employment.Due to the current uncertainty, those with financial resources are more likely able to renovate however working people with a mortgage may decide to defer spending money on renovation due to uncertainty about employment and secure income.

Investors likely are holding off renovating until such time as employment and tenants are in a stronger position to support payments of rent. Saying that, bank interest rates are still low and the area is seen as a long term growth area due to the new highway under construction and new jail. Renovations are likely still viewed positively by the market, particularly to out of town buyers from capital cities due to their more secure employment and income.Renovation work in Grafton and Maclean on older style dwellings around $250,000 to $300,000 are not uncommon and some added value is expected to be rewarded by the market, although there are likely some Heritage issues to contend with in these areas.In the future, renovation work may likely be reduced due to the uncertainty around employment, expendable income and secure tenants.

We have seen many DIY home improvements over recent weeks thanks to COVID-19.

Coffs Harbour

One month on from the start of the COVID-19 restrictions and we are seeing some light at the end of what may prove to be a long tunnel.The market surprisingly has not come to an abrupt halt; more so, it has taken a cautious approach. We have experienced a distinct lack of supply of properties for sale with the property section of the local weekend paper becoming significantly smaller, although demand has not appeared to have dropped with supply.This has caused values to remain relatively firm with some noticeable good prices being achieved in areas where supply is down.The rental market also appears to have held up relatively well; although some holiday rentals have switched to permanent, there is no dramatic oversupply and no sign that rental values are falling.

Given there are no active cases within the area and restrictions are slowly being lifted, the general feel is of positivity with the expectation that once domestic travel is given the green light, the Coffs Coast will be seen as a very attractive place to come for a holiday, giving the local economy a much needed shot in the arm.

To renovate or not to renovate is an age old question.We have seen in recent years the modern generation's appetite for new homes with a significant push towards new estates and building the dream.As land is becoming scarce within the region (with a lack of new estates coming onto the market), we are definitely seeing a move towards renovations and extensions, especially within well-established suburbs where vacant land is no longer available.Typically, these are the more sought after locations close to the beach and town, however renovation activity is not isolated to one specific location.We have seen many DIY home improvements over recent weeks thanks to COVID-19, however these are more your catch up on general maintenance items rather than full blown renovations.

We have seen building costs increase significantly over the past four years as increased demand for construction of new products and renovations has seen builders and trades stretched thin within the region.People's expectations of the cost of renovations or extensions are often well under-cooked and depending on the degree of house improvement proposed, we are regularly seeing renovation costs in excess of the cost to demolish and rebuild a new home.An average renovation cost for a four-bedroom, two-bathroom home to upgrade the kitchen and bathrooms, floor coverings and painting would start at $50,000 and up depending on the quality of fit-out.If we then start adding internal remodelling of floor plan, additional outdoor living, extensions etc, we are now talking $100,000 plus with major rebuilds often being in excess of $300,000 and if talking prestige homes $700,000 plus may not be out of the question.

Examples of an area where renovation works are becoming part of the norm is the popular beachside suburb of Sawtell, dollar for dollar one of the most expensive areas in Coffs Harbour.To compare, we have examined some recent sales in Circular Avenue, a well-positioned street within walking distance of the main village precinct.

The main rule to renovations is to understand the added value of the cost of renovations and not to overcapitalise for the locality.

77 Circular Avenue is a very modest original 1970 brick home with three bedrooms, one bathroom and single garage set on 531 square metres.It sold for $700,000 in January 2020 which represents predominantly land value.

77 Circular Avenue Source: realesatte.com.au

In February 2020, 88 Circular Avenue sold for $1.04 million (a record street price).This is a fully renovated 1970s rendered brick home with four bedrooms, two bathrooms and double garage set on 663 square metres.

88 Circular Avenue Source: realesatte.com.au

This property sold at auction with high demand and a price achieved above expectations, however when you compare it to 77 Circular Avenue, it represents good buying. To achieve the same product on 77 Circular Avenue (notwithstanding a slightly larger lot size), the cost to renovate and extend the modest 1970 three-bedroom home to a four-bedroom, two-bathroom home would be in excess of $350,000 which would result in a total cost of $1.05 million plus the time and effort undertaken to achieve this.In this case, it makes sense to buy the already completed property.

The main rule to renovations is to understand the added value of the cost of renovations and not to overcapitalise for the locality.This is easier said than done and all depends on the underlying land value and the purpose and scope of the works, plus factor in whether it's as a homeowner or investor. The homeowner who has decided that their current place of residence is their forever home can afford to over capitalise to achieve the lifestyle benefits they desire within their budget.However the investor should be shrewder and consider factors such as cost versus added value and only renovate areas that are required or value add by increasing rental return.This could be in the form of secondary accommodation (granny flat) or reconfiguring the current space to provide additional bedrooms.

One point should be made when undertaking remodelling or conversions within the dwelling is to seek council approval before you start the project.One of the misconceptions with owners is that council approval is not required for conversions or reconfiguring internal walls so long as you stay within the current building footprint (that is no extensions or additions). This is incorrect; any moving of a wall or conversion of a garage etc has to be approved by council.If you undertake any improvements of this nature without approval, for all practical purposes, no one knows so who cares?However, the ramifications come when you wish to sell the property or need a valuation for mortgage security purposes; any works undertaken without approval will not achieve the full value. Even more so if you have converted the home into dual accommodation and rent separately for investment purposes or live on one side and receive rent in the other.This extra income will not be included in a valuation for mortgage security purposes as it is not council approved.This is critical when you require the extra rental to be included in your loan application to prove you can service the repayments, not to mention the insurance implications if an accident occurs.It is difficult to say what people should or shouldn't do when it comes to renovation.

Our best advice is to seek the experience of your local Herron Todd White valuer to navigate and guide you through the market in your local area.

Newcastle

With COVID-19 ruling our past, present and future, it's becoming increasingly evident at the time of writing that we simply don't know what is going to happen to the property market.We are at that uncomfortable point in the cycle where we have to rely too much on gut-feel and anecdotal evidence, hardly the best basis for making rock solid decisions. Until we get to a stage where we have more transactions completed entirely in a post-COVID-19 world, anecdote is the best we can hope for.

Feedback from agents in and around the Hunter Valley has largely been the same as pre-COVID-19-a lack of stock for sale.Agents have had their movements severely curtailed over the past several months and a lack of face to face encounters has resulted in a noted lack of listing activity.It appears as though potential vendors have decided to wait out the lockdown before deciding to list.Whether this is because other events have taken over their focus or they have surmised that current restrictions are not conducive to a favourable sale is unknown.Given that interest rates are still low, the government has put in place significant stimulus packages and there is a lack of stock presently on the market, it's not inconceivable to expect the market to remain relatively stable in the short term.Required elements are in place for this, but as always the market can change overnight with every news update.A surge in second wave cases could change everything.

In COVID-19 times an alternative to buying and selling your property is the trusty renovation. There were rumours going about that Bunnings was running out of its paint supply simply in anticipation of lockdown, the assumption being that plenty of people would have a lot of spare time on their hands and renovation would come to the fore.In reality, that spare time seems to have morphed into TikTok videos and accessorising bookshelves to appear in Zoom meetings.No Zoom meeting is complete without a cerebral biography or two by someone inspirational or Russell Brand.If you have been skillful enough to write a book, you should also heavily consider having it over your left shoulder, cover out.We're looking at you, Malcolm Turnbull.

In reality, that spare time seems to have morphed into TikTok videos and accessorising bookshelves to appear in Zoom meetings.

Renovation in times of uncertainty is often the popular option to flipping property.The financial cost to buy and sell a property can be quite expensive and if we keep in mind what was discussed in the first few paragraphs, choice in the marketplace is limited at present.You may not find what you are looking for in a ready-made package or the cost may be prohibitive.Presumably your current property had enough features about it that made you invest and move in.Sometimes it makes financial sense to improve what you currently have without suffering the significant transactional costs of buying and selling.

Given the uncertainty in the marketplace at present and the underlying macro-economic conditions, we would expect to see minor renovations continuing.We are aware of larger more significant renovations that would have occurred previously, being placed on hold in the short term.This is in part due to many homeowners facing different economic pressures than they did pre-COVID-19.Many people have seen their salaries either reduced or deferred while the present crisis works its way through the system.Some will have found that their jobs and therefore income are suspended whilst businesses are closed.Many have lost employment and are in no position to do large-scale works to properties.It may be that with reduced demand, building contracts and contractor's quotes can be reworked within the new market climate due to a shortage of work.

Illawarra

COVID monthly update

The month of May progressed steadily for the residential property market in the Illawarra.Sale prices appear to be holding with no obvious signs of any discounting happening.

Recent economic issues seemingly have not put a dampener on renovation dreams.

Notable sales include a $3.1 million sale in Surfers Parade, Thirroul and a duplex in Toxteth Avenue, Austinmer that sold for $2.35 million.

The number of transactions has decreased slightly with realestate.com.au recording 88 residential sales in the Wollongong LGA in the first 20 days of the month (4.4 sales per day). This is in comparison to 102 sales in the first 20 days of April (5.1 sales per day). For a point of reference, RP Data recorded 585 sales for the two month period of April and May 2019 (9.6 sales per day).

Open homes have recommenced and local agents are reporting that while there is less activity, it has not disappeared completely and all levels of the market have purchasers ready to complete sales.

SOLD

Average sales per day in **Wollongong**

First 20 days May 2020

4.4

First 20 days April 2020

5.1

April and May 2019

9.6

Home renovations are a big part of owning a property.Reasons for renovating can be wide ranging.Flippers look to purchase an older, run down property, complete a full renovation and on sell the property, hopefully at a profit.They have experience with a trade themselves and have other local contacts they can call on to get the renovation completed as quickly as possible.Time is important as the longer they take to renovate the property, the longer they have to pay holding costs, therefore most flippers will not undertake any renovations that require DA approval, such as an extension.A quick internal and external facelift and the property goes back on the market.

Owner occupiers tend to renovate their properties at varying stages of their ownership of the property.First home buyers may not have a lot of spare cash to make too many updates initially but as the years go by they will look to spend their savings on renovations projects.Most upgraders tend to look to purchase a family home where all the work is already done.It might be a new house or one that has been recently renovated. Alternatively there are a few who will look to complete the renovation themselves and can therefore fit their own specific requirements into the project.

Full renovations or knock down and rebuilds are appearing in popular suburbs in the north or around the CBD which typically have older stock built during the migration boom of the 1960s. These areas are transitioning and it is common to drive down a street such as O'Brien Street in Bulli or Storey and Donald Street in Fairy Meadow and see a real mix of new, modern homes next door to older original houses.

The key to completing renovations of any scale during the current period is to find a builder who has proven experience and also availability.Most builders have been reporting a decent pipeline of work with new quotes still being prepared. Recent economic issues seemingly have not put a dampener on renovation dreams.

Southern Highlands

Covid 19 Update

Another month into COVID-19 restrictions and how is the local real estate market faring?Well as mentioned last month, rental enquires as well as sales have been strong according to many local agents.Most agents are reporting that the private inspection only approach to viewings is working very well for agents and prospective purchasers, as it allows for both parties to feel a bit more relaxed rather than experience the typical madness of an open home.

Overall we are seeing consistently good sale prices across the board, particularly within the rural residential space.The standard sub-million residential markets are still moving, just at a much slower pace.This is possibly due to purchasers in this price range being the most likely to be impacted by the ongoing and uncharted economic waters in which we currently find ourselves.

Given the lockdown guidelines that have been in place over the past six weeks, many people have taken the opportunity to start those little jobs around the house they haven't had time to begin.... or finish for quite a while.So are we seeing a rise in the amount of home renovation in the local area?

The short answer is that it appears to be fairly steady as far as major renovations such as kitchens, bathrooms, decks, etc however we are certainly noticing a rise in smaller cosmetic works including paint jobs, landscaping works and general tidying up.

As far as major renovations within the local economy, we haven't seen the bottom to middle range of the market achieve outstanding capital gains from buying and renovating since the market peaked in mid 2017.We do note that as always we have seen good scope for capital gains on good quality homes in good suburbs and streets that are being renovated to an extremely high level of finish. These properties tend to appeal to local or Sydney based downsizers looking for high quality product in blue ribbon locations on sub 1000 square metre blocks that are easier to manage than the larger traditional homes.We also notice a strong market for rural residential properties that have also been renovated to an excellent standard as well as the addition of good equine site improvements which appeals to the Sydney market looking for a hobby farm with good access to the city.

As affordability goes, we consistently hear the phrase Highlands tax from home owners and investors alike when talking about the cost of local tradespeople.Due to this, we are seeing owners bring trades in from Sydney or up from Goulburn in the hope of getting a more cost effective job done, but remember you get what you pay for and as always the importance of seeing a tradesperson's work before hiring them based on price is as important as ever.

Going forward we believe it's likely that the renovation market will retain the trend of seeing good quality renovation achieving the price point it deserves.

Albury-Wodonga

The property market in Albury-Wodonga and surrounding region on both sides of the border appears to be holding quite well.The cases of COVID-19 have been very, very low and the community has been adhering to all pandemic measures.Most agents are reporting a hold and wait type behaviour across the board, which resulted in significantly reduced sales activity for April and May, with an uptick in this third week of May as restrictions ease and the reopening of schools is now approaching for both New South Wales and Victoria. With the number of final inspections on new homes and construction reports on proposed new dwellings increasing, we will continue to observe and analyse the likely effects on the tourism industry and the investor market in our region.

If the carpark at Bunnings is any indication, home improvement has been front of mind for many with the expected result surely being property of all types receiving TLC, running second only to the amount of extra dog walking being witnessed across the country.Pre-pandemic vendors making the extra effort in property presentation were certainly reaping the rewards, so post-pandemic we might be set for a very good looking property offering in spring with gardens spruced, DIY updates of bathrooms and painting refreshes creating the longest lines at home improvement centres.

Overall the renovation market in our area is quite targeted, due to property owners' mobility in the market created by our housing affordability.The risk of over-capitalising property is real if the price point and location are not spot on.The house flippers are mostly purchasers with skill sets to renovate on a budget and this has been very evident in North Albury reaching further north now to Lavington and also parts of south Albury.The other active market segment for renovations are high end additions and renovations of character dwellings in central, small pockets of North Albury and all of old East Albury.With only a select few master builders available, waiting times for these projects can be expected, up to two years for some builders, so substantial planning and patience is required in these good locations.

Renovation is not for the faint-hearted and the decision to renovate may sit below upgrading to a newer home, moving to a better location, building from scratch or demolishing and rebuilding. The rewards are there for the very astute home owner or investor, however regional cities do not enjoy the same capital growth as the metropolitan property markets, so often a smart update rather than a full renovation can assist owners to enjoy some uplift to take the next property step or secure a better tenancy.

On inspection, we often hear the lamentation that home improvement takes money and time and striking that balance can be challenging. Hopefully over the past couple of months property owners have had the time and been able to save some money by taking on projects themselves or calling in the professionals.

Victoria

Melbourne

With the Australian economy continuing to suffer the effects of the coronavirus pandemic, the number of property transactions has decreased substantially in the last several weeks. In spite of this, there are still many examples of desirable properties that "tick all the boxes" still achieving healthy sale prices - in line with pre-pandemic conditions. Conversely, substandard properties with any issues appear to be remaining on the market for extended periods.

On a more positive note, we have recently seen restrictions on open for inspections and auctions loosened, which may assist in improving market sentiment and help alleviate the high number of listings expected to come through as we move towards spring.

This month we are looking at the topic of renovations, particularly in the context of the current economic downturn.

Inner and Outer North

Given that Inner North suburbs tend to comprise older dwellings, at least relative to the outer north, it is within these suburbs – including Coburg, Reservoir and out to Greensborough and Bundoora that we are most likely to see homes undergoing renovations.

Older homes, often held in families for many years and kept in their original state will often undergo impressive modifications and upgrades once sold to owner occupiers looking to make their homes larger, modern, comfortable and better suited to modern life.

The results usually speak for themselves, with increasing numbers of homes becoming more spacious, modern and customised to the owner's lifestyle.

Renovators can often expect to see healthy capital growth as a result of these renovations bringing these properties up to meet the expectations of potential purchasers for these areas.

There are a number of areas in the Inner North where 'pop up' rear extensions to existing heritage facades are becoming more commonplace as a means of meeting the requirements of heritage protections. We have seen numerous examples of these, where older homes with small and enclosed living areas have been opened up, increasing natural light and utilizing spaces in a more functional way.

In recent months as a result of the Coronavirus pandemic, we have noted that the occurrence of larger renovations and extensions has reduced, bucking the trend of the past several years where renovations have been commonplace, particularly as a result of gentrification in many areas and a large number of homes constructed in the 1980's becoming more obvious candidates for modernisation. Prime examples of this can be seen in Reservoir and Montmorency where homes with renovation potential can be purchased for between $700,000 and $850,000 and $800,000 to$900,000 respectively. Once fully renovated, we are seeing homes in Reservoir achieve $1.1 million to $1.3 million and Montmorency, $1.1 million to $1.4 million.

Investors in the outer north suburbs, looking to attract tenants or sell are more likely to carry out more modest or cosmetic renovations for 'easy wins', partly as a result of homes in these areas being much younger, with layouts not differing too much from new homes being constructed today. Minor renovations in these areas will tend to be limited to painting, replacing floor coverings, and perhaps a new kitchen, bathroom or deck.

Moving forward, we expect that the prevalence of major renovations will continue to remain in parity with the economy and if this continues to deteriorate, then it is reasonable to expect that renovators will become less willing to spend big.

Inner & Outer South East

With many of us bound in our homes and adapting to the new ways of life, we have seen building applications have hit an all-time high in homes within Melbourne's southeast. Many homeowners and investors are utilising this time to work on home improvements. With the Reserve Bank's decision to cut rates down to a low of 0.25 per cent, this means it is cheaper than ever for homeowners and investors to borrow money to make improvements.

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

In established areas of the South East, we have seen suburbs including Hughesdale, Parkdale and Carnegie undergo renovations.

Renovations works can range between $80,000 all the way to $300,000 for higher quality specifications. Renovators are also sourcing their own materials and doing DIY jobs in order to keep costs down.

Home improvements are more apparent in older homes, where owners are likely to undertake minor works or 'gut out' their entire home to install new finishes, appliances, fixtures and fittings while still maintaining the foundation and frames of the original dwelling. The results usually speak for themselves, with increasing numbers of homes becoming more spacious, modern and customised to the owner's lifestyle.

Renovators and investors are choosing to renovate their homes for a number of reasons; one might to improve their current home to suit their lifestyle, others are renovating so they can sell it quicker and at a higher price in this current market which can yield great results.

Eastern Suburbs

In the Eastern suburbs of Melbourne, the number of renovation jobs completed by Herron Todd White has increased.

The outer eastern ring has seen a spike in renovation valuations. Suburbs such as Kilsyth, Blackburn, Doncaster and Wantirna have had measured growth in jobs for renovations. Ranging from complete renovations, partial renovations and additional spaces being created to the homes. The trend we are seeing, based on the ownership information provided by third party web service, Core Logic, is that it is mostly current owners who are renovating. Whether it is cabin fever or having a surplus of free time due to being isolated is speculative. What we do know is that there has been a significant increase in renovations being undertaken.

Whether it is cabin fever or having a surplus of free time due to being isolated is speculative.

Due to the eastern suburbs being an established, older area with a range of Italianette, Victorian, Edwardian and Art Deco homes, the opportunity for renovation is a lot higher than suburbs in developing areas. In some cases, it is almost more expensive to renovate an old home with structural issues than building a new dwelling. Though, due to the aforementioned style of homes being omnipresent in the Eastern suburbs, there are more restrictions for what is able to be renovated and planning approval can be more difficult and time consuming to attain. Buildings that are heritage listed and suburbs with heritage overlay encumbrances can encounter obstacles when wanting to extend and renovate. Largely because most heritage buildings require the front facade to structurally remain the same and there be no visibility of additional levels added to the home from the street frontage. This can greatly escalate building and labour costs.

Depending on how far East you travel to buy a home with renovation potential, the outer East would have houses available with a purchase price of $700,000 and $1.2 million. A big trend seen in Glen Waverley and Mount Waverley is for buyers to purchase run down properties and build a new home with four or five bedrooms. While this isn't a renovation, it is an interesting trend seen over the last couple of years.

The effect of COVID-19 hasn't slowed down the construction industry completely. There are still many investors who are eager to build and develop even through this uncertain time. We are seeing basic renovations begin at prices around $150,000 to $200,000 and more substantial renovations priced around $400,000-$500,000. Sub-contractors and trades are in hot demand and renovations are definitely sought after during this period of isolation.

Western Suburbs

During these unprecedented times we're seeing a concentration on the concept of improving your home or investment through renovation projects.

Some areas in Melbourne's West that Herron Todd White has seen a jump in renovation 'As If Complete' reports is the inner Williamstown and Newport region.

Williamstown and Newport are much older and more established regions than most of Melbourne's West which consists of newly developed housing estates. Because of this, older dwellings within these more established regions are far more likely to conduct a renovation or extension project due to owners wanting to revamp the older styled dwellings.

Renovations can be a costly process which can fluctuate in price due to a number of reasons. The scale of the renovation, materials used and chosen builder all play a massive part into how much a project might cost. Homeowners within Williamstown in general have a much higher household income compared to homeowners living within Melbourne's Western growth corridors and therefore they are able to put more money toward larger scaled and higher quality renovations. This can be anywhere from $100,000 to $600,000 depending on the works being done.

Housing within Wyndham and Melton in general are new to near new dwellings having only been built within the past five years. Because of this, the need from renovations and extensions are not as rife compared to that of the older and more established regions that have been around for decades. Smaller scaled housing projects such as pergolas, working sheds and landscaping is a common trend for home owners within these newly developed housing estates as it simply isn't necessary for them to upgrade or extend on their newly constructed homes. Another factor is the size of the land generally being smaller in these high density urban growth zones and therefore there is an inability to extend any further on the dwelling that already takes up the majority of space on the land.

Geelong

The idea of home improvement has been brought to light as of late with the extra time many of the population have had on their hands. Housing within many of the older suburbs in Geelong are at a perfect stage where a renovation or extension is exactly what is needed to revitalise one's home and bring it back up to scratch with what's currently trending and sought after in the current property market.

Renovations are widespread across suburbs such as Newtown, Highton, Belmont and Geelong West. With many of homes in Geelong West having heritage overlays enforced the only option for many homeowners or buyers is to fully upgrade and refurbish internally with the front having to be left unscathed. Extending and renovating these heritage listed homes has resulted in some masterpieces which combine timeless and classic architecture with modern materials and an open plan living space which is so prominent in housing in this current day and age.

Renovations obviously vary in price due to the nature of the works being conducted and not always is the amount spent on the renovation translated over to the overall new value of the property. In some cases when done right it can significantly increase the value of a home far greater than the amount spent on the renovation which can be seen by some record breaking renovated houses that have sold in the likes of Geelong West and Newtown over the past few years.

Renovations are less popular in developing areas such as the ever expanding Armstrong Creek and Mount Duneed regions. This is ultimately due to the fact that no renovation or extension is required on these newly constructed homes still in excellent condition.

Shepparton

Within the Greater Shepparton LGA, COVID-19 infection rates remained very low throughout lockdown and no new cases have been confirmed in almost a month.

The dilemma that the housing market is facing is a lack of properties offered for sale in almost all price sectors. A majority of agents are begging people to sell their homes as buyers are still out in force and are putting in strong offers.We are one of the few markets in which COVID-19 seems to have had a reversal of logic – that is the outlook for the local market is supposed to be pessimistic given the climate.Thankfully, optimism is prevailing.

Mildura

As we move through another month of COVID-19, there is a feeling that, in our region at least, we have mostly escaped the virus itself.There were a handful of cases identified in April, but none in the past month and our community can see a path back towards a more normal life.However our economy has been detrimentally affected, with a rise in unemployment resulting from the shut down of many businesses, especially those that rely on tourism or hospitality.

The effects on our housing market are mostly limited at this stage to reduced sales volumes, as vendors and purchasers take time to weigh up the implications.This has been most evident at the middle and upper end of the market.Agents have welcomed a return to being able to hold open inspections, which they hope will provide greater activity and confidence, however it is still too early to know what the lasting effects will be.

Local builders still report being busy completing work that started pre-COVID-19, and a drive around our new subdivisions shows that new construction is underway, however it is expected that the number of new builds will be reduced to some degree over the next 12 months as some people re-think their ability to take on debt at this time.

There is no doubt that many people have had more free time, either through reduced employment or less recreation options on weekends.For many, this time has been devoted to some DIY maintenance in and around their homes. The Bunnings carpark test suggests that home improvement sales have been strong.

There is considered to be good potential to renovate homes built in the 1950s and 1960s.

Renovating older homes for a profit has not been a common activity in Mildura, in part due to a lack of older homes with enough character to be popular with owner-occupiers.We simply don't have the stock of pre 1950s homes.There are some scattered examples though and these are usually found in preferred positions on Mildura's west side or close to the CBD and Murray River.

There is considered to be good potential to renovate homes built in the 1950s and 1960s.These homes are usually conite clad, which was a building technique popular in Mildura, but rarely found elsewhere.Many examples have reasonably large rooms and the ability to extend in a complementary way.A well renovated home from this era will fetch similar values to new homes built in a new subdivision, but comes with the benefit of larger land size and superior position.

For those after a less expensive challenge, there is also the potential to modernise homes built in the 1980s.This is considered a good option for owner-occupiers.With many local tradespeople and suppliers of floor coverings, kitchen cabinetry etc. less busy at present, now may be a good time to do this upgrading.

Queensland

Brisbane

First up – let's address the current state of play under COVID.

The initial stages of the crisis caused many sellers to shut up shop and batten down the hatches. Meanwhile, some buyers believed they were about to snatch up outrageously good deals.

The market then settled quickly into a standoff where potential purchasers came up against a lack of stock. As such, transaction numbers dropped dramatically, but prices didn't.

Now, three and half months in, the state of play is established. There is a still a wait-and-see approach being taken by owners, so buyers don't have a heap to choose from. Prices are softer across many markets but they didn't plummet like some may have predicted.

Of course, this is an evolving situation. As we move through the machinations of the economy over the next six months - with politics, employment, finance, immigration and trade all playing their parts - thing could be turned on their head. It's a case of wait, watch and see.

Of course, the crisis has delivered us something that was in short supply for the average Aussie family – time.

Requests from leadership that we stay in and keep each other safe had many running to Netflix and home offices, but there was also a fair proportion of the population who used the opportunity to tackle odd jobs around the house.

Renos of inner-city holdings at the upper-price level have been mostly unaffected by the current environment. Owners are comparatively cashed up and willing to keep spending.

Skip bins and Bunnings lines revealed that when presented with the chance to do nothing, many of us actually want to do something productive.

That said, most of what we've seen around the suburbs was maintenance.

In Brisbane at least, demand for more extensive building and renovation work looks to have slowed.

Many households stepped through the uncertainty of March and April making plans to ensure that, over the foreseeable future, food would be on the table and a roof would stay overhead. Being frivolous with available cash could be hazardous with unemployment on the rise.

As such, we generally observed a slowdown in substantive renovation and construction projects – particularly any ventures that involved signing a contract with a builder or tradesperson.

But, as has been said many times before, you need to dig below these broad market generalisations and understand the nuances, because opportunity can be found at certain price points, property types and locations.

For example, prestige property is seeing relatively more renovation upgrades than homes in the affordable price sector.

Renos of inner-city holdings at the upper-price level have been mostly unaffected by the current environment. Owners are comparatively cashed up and willing to keep spending.

There's plenty of reasons why. For starters, the lowest interest rates in living memory are enabling those with good financial standing to get access to cheap money. In addition, the building industry has become relatively competitive under the COVID regime. Tradespeople are hungry for work and head contractors are willing to compete on price so as to secure a pipeline of projects.

The flipside in Brisbane is the investor market. We aren't seeing landlords looking to spend sums upgrading homes beyond what's necessary at this stage. There's an expectation the rental market will continue to fall in favour of tenants with rising vacancies and falling rents, so investors are wanting to ensure they don't spend too big too early.

One thing that may well stimulate the desire for upgrades among homeowners is the work-from-home phenomena.

It's become evident many of us can operate productively from a home office. It's also entirely possible on the other side of this event, employers will look for ways to reduce their office footprint, hoping to cut lease costs and improve the bottom line. The outcome may well be property owners seeking ways to adapt their current living space in order to improve their work environment. Creating a work area that can be shut off from the family space will become an essential element of any home. Even if existing owners don't look to create that for their own use, a good home office will be a feature in future real estate listings. If there's an efficient, cost-effective way to establish an office, then vendors will want to do this prior to selling.

And so on to locations if you do have a hankering for a renovation project. We've looked at a couple of options that might fit the bill.

For example this one at 17 Hockings Street, Clayfield sold mid-2019 for $660,000 as a renovation project that required a heap of TLC. No doubt the original features will come up a treat.

17 Hockings Street, Clayfield Source: realestate.com.au

The inner-west suburbs of Paddington, Auchenflower, Bardon and Toowong have been rife with renovation opportunities for decades. In fact, there have been a few Brisbane builders who've grown their fortunes by concentrating solely on these locations and completing beautiful, multi-million dollar do-ups.

For example, this house at 12 Carey Street, Bardon was sold way back in October 2017 for $770,000.

12 Carey street Bardon before Source: realestate.com.au

It received an extensive upgrade to become an ultra-modern four-bed, three-bath, two car home that was purchased in March 2020 for $1.552 million.

12 Carey street Bardon after Source: realestate.com.au

Family friendly addresses such as The Gap: provide opportunity for those with a tighter budget. Renovatable home are available at the high-$500,000s price point. For those with a little more to spend, an address such as Ashgrove will set you back closer to $700,000-plus for a home with potential.

A perennial favourite for fixer-uppers is Petrie Terrace and Spring Hill. There are some raw homes on tiny lots for over $600,000, but it's all about location here. These suburbs are literally walking distance to the centre of town as well as entertainment and retail precincts.

And the results can be spectacular.

For example, this renovated home at 35 Sheriff Street, Petrie Terrace sold in November 2019 for $1,193,888. It's on 228 square metres of land and provides four-bed, three-bath, three-car accommodation.

35 Sheriff Street, Petrie Terrace Source: realestate.com.au

Looking a bit further out and Wavell Heights has good options with very basic renovators in average positions fetching between $550,000 and $600,000 – but you need to be fast as they sell quickly. Other homes in Wavell Heights that're in quieter positions with ready access to facilities are fetching between $600,000 and $700,000 for a renovation prospect. In these instances, smart renovation work will yield an end value above $1 million.

For more budget conscious renovation prospects, head a bit further up Gympie Road and check out Aspley and Bracken Ridge where a renovatable home can be purchased in the $500,000s. This area appeals to first home buyers and project-oriented builders.

A quick tip – make sure you check the town planning guidelines and building codes before proceeding. The renovation options for Brisbane property can be limited by heritage and traditional-character overlays, building heights, setbacks, noise and flooding issues and other designations... and they can be property specific. Just because a neighbour is able to get certain works approved doesn't necessarily mean you can.

Finally, while the level of future renovation activity remains generally uncertain, falling sale numbers under current market conditions in the wake of COVID may well fuel a rise in renos, however this will be dependent on indicators such as general confidence in the market, affordability, unemployment and economic conditions.

Gold Coast

Central Gold Coast

The lockdown has certainly provided us with a great opportunity to take care of any maintenance issues and even make some cosmetic improvements to our property investments.Whilst there is still a degree of uncertainty in the market, a growing number of home owners are preferring to wait out this period before putting their property up for sale. To date it has been the budget-conscious owner-occupier looking to take this time to complete some renovation work.Many of these owner-occupiers are only completing small scale DIY cosmetic work (ie. new paintwork, general repairs) and are not looking to spend too much money on trades. Owner-occupiers who are carrying out larger scale renovation works on their properties at the moment are generally people with building skills or who work in the construction industry.

In the Gold Coast north-east area from Southport to Hope Island and out to the M1, home renovation works appear to be on the rise.

Local agents actively selling in the central Gold Coast area have reported that even though stock levels are low and demand levels have remained fairly steady, properties are generally taking longer to sell now.They advise that buyers are becoming more discerning as there is less urgency in the marketplace at the moment compared with last year.Interestingly, the overall presentation of a property is becoming more of a critical issue. Some agents in Broadbeach Waters recently noted that if the property is not well presented or has some outstanding repair issues, it could result in a significantly discounted sale price, so there may not be a better time to get those odd jobs done around the house!

Southern Gold Coast/Northern New South Wales

There are opportunities available by way of renovation works in the far northern New South Wales and southern Gold Coast suburbs. The more established and desirable suburbs such as Coolangatta are showing opportunities for the savvy investor or existing resident to manufacture capital growth in an uncertain market. Across most of the area, selling agents have advised a reduction in stock levels and slightly longer selling periods as a result of the recent border closure and COVID-19.Be it DIYers looking to be productive during lockdown, forward-thinking homeowners looking to manufacture equity or a lack of confidence in the current market, homeowners appear to be taking the opportunity to add value to their homes through renovation works, rather than selling in a perceived slower market.Predominantly the more established areas such as Tweed Heads, Palm Beach and Coolangatta have seen an increase in this style of work, however it has been noticed in the newer pockets of Casuarina and Pottsville as well.

There has been an increase in smaller scale works amongst the investor space as a result of a supply increase, particularly in coastal, holiday driven areas with investors looking to secure good tenancies. Internal painting works, floor coverings and updated electrics are appearing in the market as well as minor façade updates and landscaping works.

Gold Coast Central/North East

In the Gold Coast north-east area from Southport to Hope Island and out to the M1, home renovation works appear to be on the rise.Investors conducting any more than cosmetic works such as painting and floor coverings are rarely seen, resulting in the owner-occupiers conducting the majority of renovation works.These owner-occupiers are opting to renovate rather than relocate, with the supplementary aim of manufacturing equity within their property.The central and north location is an established area and discussions with home owners conducting renovation works is that they like the area in which they live and for the cost of relocation, the decision to renovate or extend their existing dwelling is a more desirable option.

Furthermore, in areas such as Southport and Labrador, the option to increase income through granny flat extensions or to build in self-contained flats underneath high set homes is also being exercised due to the opportunity of an increased yield on the property.

At present, due to COVID-19, the current economic climate appears to be uncertain with limited quality properties on the market and owner-occupiers choosing to use their spare time to improve their homes, in which they are spending more time.

However, we do caution renovators not to over capitalise as cost does not necessarily equal value.Be mindful of the median price point in your area as well as what drives purchasing decisions for the broader market.For example, installing a $10,000 water feature in a $400,000 house may not equate to a good return on investment if you plan to sell the property in the short to medium term.A recommended exercise is to outline your renovation plans and then look, with an unbiased opinion, at recent sales in the area similar to your proposed plans in order to justify the expense you are considering.

North/North West

Renovation is a hot topic at the moment through the northern corridor and southern Logan suburbs.Particularly for home occupiers who have experienced a reduction in work, COVID-19 has presented an opportunity for some to finally get around to those renovation works or cosmetic improvements that have been put on the back burner for the past three, five or maybe even ten years.

So far, suburbs such as Upper Coomera, Ormeau and Beenleigh have seen a rise in the number of houses currently undergoing or recently having completed renovations or minor cosmetic work, some with the intention of increasing their equity, others erring on the side of over capitalisation. Over-capitalisation isn't a worry to some, particularly rural residential property owners in the south and south-west Logan areas, as some people would prefer to invest their spare cash into their current property and avoid the hassle of moving house due to upgrading and relocating.

Over the past two months, we have seen owners begin to undertake small scale projects such as retaining walls, concreting, new sheds and landscaping and even renovation or extension projects amounting to up to $325,000 and everything in between.While we have so far noticed only a small increase in current or recently completed renovation projects, this is a popular topic and people are spending more time at home at the moment, so this trend is likely to increase.

Buyers are quite cautious at the moment and properties requiring work sell for a significantly discounted price, so while the market might present some opportunities to pick up a discounted renovator, as a buyer, caution is to be exercised as the future of the property market and economy remains uncertain.

Sunshine Coast

COVID update: When we try to break down the COVID-19 world and market place, the overarching theme is that we appear to be in a in a state of flux.As we moved further down the line through April and into May (about eight weeks), stock levels continued to remain extremely low with no significant increase in property listings.Pressure on owners to sell remains limited but this may be delayed until the various support and stimulus packages come to an end (government's Job Keeper allowance and bank mortgage holidays).

When reviewing valuations of sales completed by our office and specifically properties contracted during April and into May, in excess of 95 per cent of the sales show a discount of five per cent or less from the list price.Also, 98 per cent of the sales occurred within 90 days.As previously stated, it remains extremely important to understand the circumstances of any sales that transact in this period.

As COVID-19 infection rate results improve and the restrictions start to ease, there is a feeling that there is some light at the end of the tunnel. Subsequently there have been reports that overall enquiry has increased and open homes are resuming.

- Some of the demand has been in the pipeline for some time from a combination of potential purchasers who were in the market prior to the restrictions and upgraders and investors who sold in the first quarter of 2020.
- Interest continues to flow with both capital city and ex-pat international purchasers looking to secure property on the Sunshine Coast.Some of this is being fast tracked.
- Should this demand be absorbed and if there is an increase in supply in the coming months, it will be interesting to see if there is an increase in new demand to fill the void.
- Some new purchasers are wanting to find a bargain, although this is not apparent in the market to date, especially in highly sought after areas.

Properties contracted during April and into May, in excess of 95 per cent of the sales show a discount of five per cent or less from the list price.

Now, on to renovation.
They say "idle hands are the devil's tools", but when the pubs and clubs are shut, there are not too many other options.It appears they pick up a shovel, hammer or a paint brush.During the COVID-19 restrictions, it seems that one valuable commodity has been created....TIME.At the moment, there is plenty going on in the home improvement and maintenance space.

As we have previously mentioned, stock levels are extremely low.With the combination of these stock levels and the uncertainty of the market, the thought of selling and upgrading the house has slowly been losing some of its appetite, especially if you really like the area you live in.The feedback from local tradies, hardware shops and garden centres is that business has been pretty good as people look to upgrade their existing property.We have also received feedback that a local swimming pool building franchise has 21 new projects halfway through the month of May compared to seven for all of April.This appears to be occurring right throughout all the established areas of the coast, with older homes being transformed to little gems.

Sure, some of this home improvement activity has been completed to add value to the home so that when they do go to sell, it is presented in the best possible condition.If the property has a reasonable floor plan, the recent results of these renovated properties have shown good returns. We note that some feedback from agents is that a number of builders have been looking for some little side projects just in case there is a bit of a slowdown in the future.

Rockhampton

Monthly COVID-19 update:Over the past month, residential property in the Rockhampton region (including the Capricorn Coast) has continued to tick over, with properties still being listed and sold despite the global pandemic.There has been no evidence to date of a decline in values, in fact, some sectors of the market are continuing to improve slightly (i.e. modern, well presented homes on the Capricorn Coast).Regionally, we have been fortunate to continue with a very small number of COVID-19 cases which, combined with the recent easing of restrictions, is likely to support this trend to continue should the number of cases remain low in our region.

Now, let's talk renovations.

Over the past 12 to 18 months in particular, there has been a notable increase in renovation projects in a small sector of the Rockhampton market. Generally, small pockets of South Rockhampton, such as The Range, Allenstown and Wandal are sought after for their proximity to the CBD, schooling, hospitals and elevation available in some areas to provide city views to the east or vast hinterland views to the west.However, given that the south side is characterised by Queenslander style homes and there is no room for growth or expansion due to the area being surrounded by flood plains, renovation presents the only option for those in the market wanting both southside convenience and contemporary living.

In the balance of the market, renovation activity is generally holding steady, with some basic dwellings receiving a renovation to then be on-sold. This has started to occur after a period of very limited renovation in the low to middle sections of the market and this change is considered to be a combination of low interest rates, a preference by first home buyers to want properties with nothing left to do and a consistent, moderate upturn in the local economy.

Whilst the majority of the renovations seen are by long term owner-occupiers entering into a major renovation to create their forever home, there are a number of investors picking themselves up a bargain and completing a simple renovation (i.e. no structural changes) to then resell with the intent of turning a profit in a market which is starting to recover from an extended period of no capital growth.There has been a number of sales evidenced over recent months where a building company has purchased a rundown property in an average suburb, renovated, professionally styled the home and resold at an expected profit with a short turn around.Styling and presentation is a key factor linked to the level of profit made.First home buyers still prefer new homes, however there are some who end up buying these more affordable, renovated existing homes with nothing left to be done.

Buy in price points for renovators vary greatly.From sub-$200,000 for the investor-renovator through to $600,000 for the long term owner-occupier-renovator.End values then vary just as much.The added market value of basic renovations tends to match cost and when the market is starting to recover, a small profit may be had.When a major renovation is undertaken however, it is a very different outcome.There is little to no evidence that the added value of the renovation will match or exceed the cost to construct.This is where it is important to be aware of the market in which you are renovating to determine where renovation dollars are best spent.Is it wise to make structural changes to the home or stick to cosmetic works only?A dwelling with a poor layout would benefit from a structural change to rectify, however if the existing layout is functional, that money may be better directed elsewhere.Being aware of town planning is also important when planning a renovation, particularly in older areas where perhaps a heritage overlay or neighbourhood character overlay is required to be complied with.

For Rockhampton in particular, the renovator market is likely to continue the current trend as factors that drive the decision to renovate are considered a constant in the local market.

Gladstone

There is nothing new to report on COVID-19's impact on Gladstone's property market.It's just about business as usual for our market.Sales continue to tick over with no evidence of any further declines in value.Rental vacancies remain tight with a vacancy rate of 1.6%, the lowest they have been since the peak of the market. Affordability is still the key driver in our market and while we are not out of the woods just yet, it's looking more and more likely that COVID-19 will be remembered as just a very minor blip on the radar for Gladstone's residential market.

In terms of renovations, there has really been very limited activity in the past 12 months, apart from every man and his dog doing minor maintenance or landscaping work during lockdown!The reason for the lack of renovation work is really unknown. Despite the market looking up, a significant portion of homeowners in Gladstone would have negative equity in their homes from the market downturn, so in essence cannot afford to renovate. We've seen the odd, full internal renovation, in most cases of a mortgagee sale property that is in a state of disrepair and that sold towards the bottom of the market range.Completing only minor cosmetic works to these types of properties adds considerable value to the property.

While not quite considered a renovation, construction of new sheds on existing properties has surged over the past several months.The reasoning behind this sudden increase in sheds being built is also unknown.Interestingly, the size of the sheds is also increasing.Once upon a time, a six metre by six metre shed in the back yard was the norm, however this is no longer the case. Longer and wider sheds with higher clearance are becoming the norm along with features such as mezzanines and internal bathrooms.We have also noticed a distinct uplift in pricing for sheds in the region.Costs appear to have jumped about $100 per square metre in the past few months and this sudden jump in cost has not yet been reciprocated in the added value of a shed to a property.

Emerald

Most towns on the Central Highlands appear to be going back to normal trade apart from Moranbah which continued to strengthen throughout COVID-19.We have seen a pick up in activity over the past two weeks in both sales and rentals.

Renovations is a good thing for most towns on the Central Highlands with costs able to be recovered in most situations.We are seeing most mortgagee homes and lower end properties being purchased and shortly after being renovated.With a rising market we see renovators cashing in on true added value to their properties.Builders are probably evenly split currently between new homes and renovations in the area.We have now had four years of steady growth coming off a bottom in 2016, so there are many with equity to undertake improvements to their properties and we see this continuing.

Bundaberg

COVID-19 Update:The past few months have shown little evidence of declines in values in the Bundaberg region.Properties are still being listed and sold and being refinanced.This is due mainly to the limited number of COVID-19 cases in the region and hopefully with the recent easing of restrictions, this confidence should remain.

We are very much like the Hervey Bay market when it comes to renovations.Bundaberg renovations have actively slowed over the past few months as consumers appear to be conserving their dollars. Judging by the local Bunnings carpark, locals seem to be doing odd maintenance jobs around the house and yard instead of major renovations.Local builders have reported that the demand for new owner-occupier homes remains consistent.

Mackay

Agents reported a slight decrease in sale volumes towards the start of COVID-19 restrictions, however as the government slowly starts to lift restrictions, volumes are slowly starting to improve.New listings and property values appear to have held steady with no material change in market value.The Mackay rental market was already tight prior to the pandemic with vacancy levels under two per cent, however agents have reported increased interest, particularly from fly in fly out workers who have been unable to travel due to restrictions and will be further hampered by the effects of Virgin's possible closure.

We have not seen any indication to suggest that renovations have changed during lock down.We consider renovations to have remained steady and are still predominantly occurring in inner city locations (Mackay, East, West and South Mackay). They are generally of older style, low set or high set dwellings purchased for less than $300,000.There are a mix of owner-occupiers and investors looking to renovate, however the investor types tend to be tradespeople who can undertake much of the work themselves and flip them straight away.

Depending on the size of the dwelling and the degree of ancillary improvements, they are worth between $350,000 and $550,000 on completion. Smaller dwellings on smaller than average lots with basic ancillary improvements are worth between $350,000 and $400,000.Larger dwellings with significant ancillary improvements and over 700 square metre allotments are worth anywhere between $450,000 and $550,000.

Hervey Bay

The Fraser Coast has slowly started to come alive again since the lifting of the first stage of restrictions, with day trips now permitted to Fraser Island.Small cafes have reopened at this stage, with some larger establishments only offering take away meals and bottle shop drive through service.Some retail outlets which appear to be doing quite well in these tough times include the local fishing supply store, office supplies and printer refills due to so many working from home.Queensland Health reports that the Wide Bay had a total of 24 cases of COVID-19 with 24 now recovered and no active cases, which is very encouraging for the region. We look forward to stage two in June when caravan parks and camping will be permitted once more.

The supply of housing stock on the market has dropped considerably, however demand remains steady with some contracts considered to be at the upper end of market parameters.The vacancy rate for rentals remains low with rents stable.Property values are also stable, with no noted change across any price point.

Renovations have slowed over the past few months on the Fraser Coast as consumers appear to be conserving their dollars and energy.Local builders have reported that the demand for new owner-occupier homes remains consistent with locals providing enough work for the rest of the year. Work in the construction industry has continued throughout the crisis which has been sobering for regional employment.

Townsville

Anecdotal evidence suggests that the supply of new stock being brought to market remains low as potential sellers hold off listing properties in the current environment.We are continuing to see sales occur, albeit at lower volumes compared to pre-COVID-19 and to date value levels appear to be holding.

Over the past 12 months there has been a noticeable increase in the number of house flippers in the market, typically operating within the five to eight kilometre radius of the city centre in suburbs such as Railway Estate, Currajong and Gulliver. The buy in price for homes with renovation potential in these areas is typically in the low $200,000s with end values created in the high $200,000s to mid $300,000s depending on the extent and quality of the works undertaken.

The rise in popularity of lifestyle home renovation shows such as House Rules and The Block are also contributing to the increase in renovation projects being undertaken by home owners.The reason behind this increase could be contributed in part to the change-over cost from their current home to an upgraded property.Furthermore, location seems to be a factor in the decision to renovate.Owners not wanting to take a gamble on location by moving are opting to stay where they are and renovate to accommodate their changing circumstances.Apart from upgrades to kitchens and bathrooms, we are seeing decks and outdoor living spaces added and house extensions to create more living space and utility.

The renovator market is likely to continue tracking on its current course during 2020 with the cost of borrowing remaining low and a preference from buyers at this time for renovated properties requiring little work with the age old saying of "I'd rather be opening a can of beer (or bottle of wine), than a can of paint" ringing true.

Whitsunday

The Whitsundays are starting to reopen with cafes and some tours now operating within the government restrictions. Cafes and restaurants are still providing take away services. People are out and about enjoying the lightening of the restrictions.

Local agents confirm we are not seeing any

The buy in price for homes with renovation potential in these areas is typically in the low $200,000s with end values created in the high $200,000s to mid $300,000s depending on the extent and quality of the works undertaken.

reductions in sale values, however volumes of sales are lower than what was previously occurring prior to the pandemic.

Renovations in the Whitsundays! While I have not seen any contracts for renovations and or additions over the last couple of months, it must be happening as Bunnings appears to be the best shop in the Whitsundays! The car park appears to be busy all week end. While we had to all stay at home it appears that the DIY home owners have been hard at work!

We need to get our tourists back. Let's hope that we can track on a positive note with limited to no cases new cases of Covid 19.

Darling Downs

COVID monthly update

Market activity has slowed significantly over the past six to eight weeks as a result of COVID-19. Many vendors withdrew their properties from the market during the initial shut down period and many selling agents are now reporting having limited stock on the market.Selling agents are also reporting that genuine buyers are still active in the market (ie. those who had sold just prior to the COVID-19 shutdowns and need to buy elsewhere or government employees relocating) and cash buyers are beginning to emerge, seeking the opportunity for a good buy.

The restriction on open homes for several weeks resulted in selling agents receiving genuine buyer enquiry rather than sticky-beakers.Open homes have re-commenced in the past week and agents are reporting moderate attendance so far.

In the broader Darling Downs region, property managers are still reporting good demand for rental properties.There is limited short-term rental accommodation homes in this region and accordingly, it has been somewhat insulated from an influx of short-term letting properties such as those listed on AirBNB coming back on to the long-term rental market.

Commentary has been made by both CoreLogic and realestate.com.au representatives regarding the potential for increased demand for properties within a two hour radius of capital cities after COVID-19, due to buyers seeking a lifestyle change to less crowded regional areas and with new work from home routines having been established.This applies to many areas within the Darling Downs region and is cause for optimism in our area.

Renovate your way out

There has been a significant growth in property owners undertaking extensive renovation projects in recent years, possibly driven by television shows such as The Block.In the Darling Downs region, this is particularly evident in the city of Toowoomba.The well regarded and sought after suburb of East Toowoomba has seen a significant amount of home-owner renovations in recent times.A majority of properties in East Toowoomba are older, character timber dwellings and there has been a noticeable increase in the number of these properties being brought back to life. Some note-worthy renovations for this locality have maintained the original cottage style façade but have been extended to the rear with two level, contemporary style additions.

There have only been a few renovations carried out in this style so far in East Toowoomba and they have generally been completed by owners of local, custom building groups as their own personal residence and then on-sold.Therefore, it is difficult to comment on the profitability of carrying out such an extensive renovation.In many cases, this has created a great deal of interest in those particular builders and resulted in additional renovation projects for them to complete for paying customers.

31 Cavell Street, East Toowoomba Source: realestate.com.au

31 Cavell Street, East Toowoomba Source: realestate.com.au

Well-renovated character dwellings in East Toowoomba are generally in the $750,000 plus price bracket, depending on the size and features of the dwelling, ancillary improvements such as pools and particularly the land size.Renovation costs are currently quite high and in many cases, the cost of completing an extensive renovation is not reflected as added value on a dollar for dollar basis.

Nearby suburbs such as Mount Lofty and North Toowoomba are also seeing some renovation of older timber homes, but to a lesser extent than that of East Toowoomba.There is significantly less home renovation being carried out in the lower price brackets and in other suburbs across Toowoomba. We also note that there is limited renovation activity in our regional areas such as Warwick, Stanthorpe, Gatton, Kingaroy and Dalby.

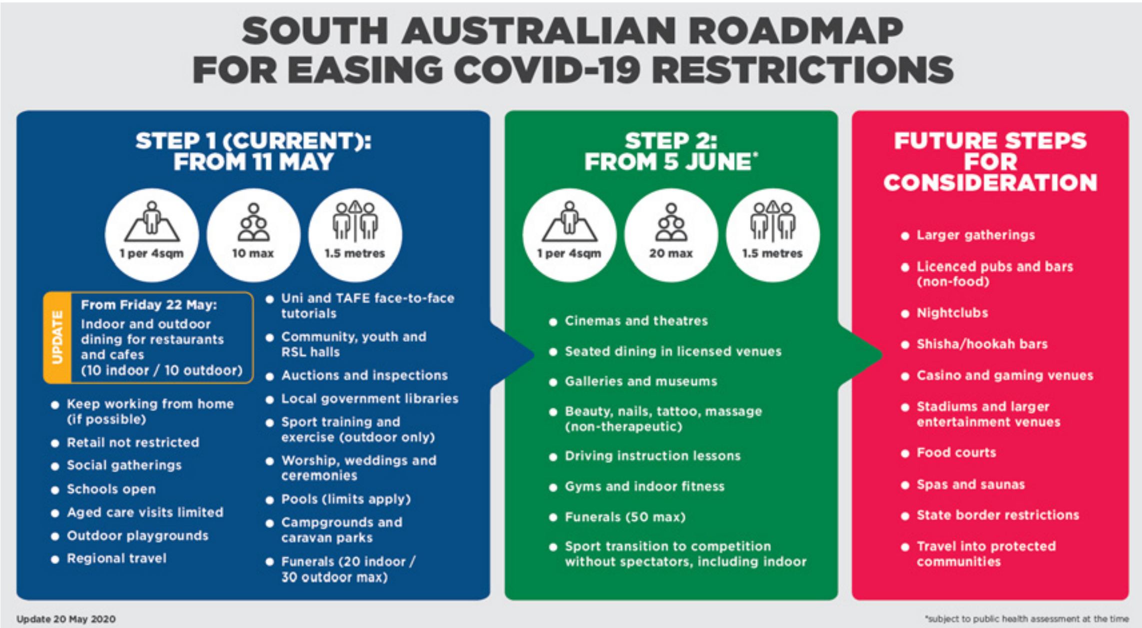
South Australia

Adelaide

At the time of writing, South Australia has registered only one new case of COVID-19 since 23 April and has become the first state to be free of any known COVID-19 cases.The containment of COVID-19 has allowed the state government to put into action its roadmap for easing COVID-19 restrictions which was met with open arms for those in the property industry.As of 11 May, restrictions were eased on the number of attendees at open inspections and allowing on-site auctions to take place.There is a sense of optimism in the air.

For owner-occupiers, a lack of space during working from home arrangements may have forced the hand to give a renovation project the green light

In terms of the numbers, days on the market for metropolitan Adelaide currently sits at 54 compared to 45 during the same period in 2019 whilst listing volumes nationally have trended lower.Interestingly dwelling values have been resilient recording a 0.4 per cent increase over the month of April.Agents are reporting a similar story indicating that stock is hard to find however buyers are still active in the market.



The motivations of those active in the market must be well tuned when considering a renovation.What motivates one market participant to throw on the overalls and pick up a paint brush can be vastly different to the next.For owner-occupiers, a lack of space during working from home arrangements may have forced the hand to give a renovation project the green light whilst a minor renovation may make an investor's rental property stand out from the crowd in a deepening rental market.

When undertaking renovations, owner-occupiers are willing to extend themselves to achieve a level of comfort and amenity required for a long stay.The thought process is spend now for what you want.In 20 years' time, the cost becomes negligible and you have benefited in lifestyle from the works undertaken.Conversely, investors seek out properties with good bones that need as little capital outlay as possible.Put simply, owner-occupiers will attempt to fulfil both wants and needs whilst investors look to fulfil needs.

An example of this differential can be seen in the sales of 10 Dunks Street, Parkside and 42 Stamford Street, Parkside.Each comprises a character stone dwelling on an approximately 350 square metre allotment.Selling in April 2020 for $1.29 million and representing owner-occupiers, 10 Dunks Street, Parkside has been fully renovated and extended comprising high quality fixtures and fittings across three levels of accommodation. This property provides for the typical needs of a buyer and also the trimmings some in the market may want.Conversely and representing investors, 42 Stamford Street, Parkside is currently listed for rent asking $520 per week and has had the floors polished, walls painted and the kitchen and bathrooms updated to an appealing standard. This property has been brought to a standard acceptable in the market providing no more than the needs a potential occupant may seek.

10 Dunks St, Parkside Source: realestate.com.au

Heritage restrictions and planning overlays catering to lower density development make the inner and middle rings ripe for those looking for a renovation project.The suburbs of Nailsworth, Kensington, Colonel Light Gardens and Mile End are each located within five kilometres of the Adelaide CBD and are characterised by early to mid-century homes on allotments ranging from 150 to 1000 square metres. Entry price points in these suburbs range between $450,000 and $850,000 with well-established and renovated homes ranging in price from $650,000 to $1 million plus.Ripe for a renovation is the current listing of 14 Phillips Street, Kensington, which has been advertised to the market with an undisclosed asking price.The property comprises a brick bungalow disposed as two bedrooms and one bathroom on a 453 square metre allotment.This property represents an entry level property in the suburb of Kensington.

14 Phillips Street Kensington Source: realestate.com.au

Renovating does not solely relate to detached dwellings.Strata units are popular with first home buyers and investors given the entry price point they provide.The restrictive nature of a Strata Title means renovations can only take place within the four walls of the unit.This can be a good starting point for first time renovators as one can get a taste for the process whilst being limited in the extent of work that can be undertaken.Strata units are typically found in suburbs established between 1960 and 1970 and are characterised by cream brick walls and terracotta-tiled roofs. The Burnside council area in the metropolitan south-east is heavily populated with strata units.Entry price points throughout the council area range between $225,000 and $325,000 whilst renovated units become available in the high $200,000s and can push up to the low $400,000s at the top end of the market.

$225,000 to $325,000

Brunside entry-level unit price range

A representation of an entry level property is the sale of 10/1A Grant Avenue, Rose Park which achieved a sale price of $263,500.This property comprised a first floor unit disposed as two bedrooms and one bathroom providing original fixtures and fittings throughout.The property is well located being only a short walk to Victoria Race Course and Adelaide Parklands.The upper end of market parameters is represented by 6/3 Talbot Street, Erindale which achieved a sale price of $430,000.This is a fully renovated, free standing unit comprising two bedrooms and one bathroom.The unit has a double carport and private courtyard.

10/1A Grant Avenue Rose Park Source: realestate.com.au

When considering a renovation, construction costs and materials can be a topic hotly debated over the dining table.Construction costs appear to have remained stable over the past 12 months.Costs can fluctuate depending on building size, quality and specification.Tastes in building materials continue to evolve with free-standing baths and glass

RESIDENTIAL

HERRON TODD WHITE RESIDENTIAL

window kitchen splash backs becoming popular. Brick veneer and rendered hebel construction remain most common for extensions whilst vinyl timber flooring and stone bench tops have become standard inclusions.

Glass splashback Source: realestate.com.au

With an uncertain sales market we may in the short term begin to see a trend where home owners renovate what they have instead of seeking something else.This coupled with record low interest rates may provide the perfect excuse to get a project moving.

Mount Gambier

To date, there are still no clear indications of the impact of COVID-19 on property values in the Mount Gambier region.Whilst the market has softened as a direct result of government enforced restrictions and general economic uncertainty, we are yet to see this reflected in any value correction.

As restrictions begin to ease and some normality resumes, we remain positive that the impact will be limited, however we are not naive to the fact that there will be ramifications within the property market.

What about renovations?

Bunnings is certainly packed on the weekends and our DIYers are making the most of lock down time!However, from what we can see at the moment, it would appear as though the top priority on everyone's renovation list is to complete small jobs that were already on the to do list.Larger renovations often take longer to plan and generally rely on the availability of tradies and they are not easy to grab in our region at short notice.

In our region, major renovations need to be considered quite carefully.The cost of demolition, altering and reconfiguring existing improvements can quickly make any renovation very expensive, without necessarily seeing any improvement in the dwelling.Prior to completing any major renovations we would recommend that home owners ascertain the current value of their home (have a valuation done), consider the cost of the proposed renovations and then add the two amounts together.What can you buy in the current market for a similar price?Are you best to do the proposed renovations or perhaps consider buying a property at a similar total cost where someone has already done all the hard work?This is a simple way to have an informed opinion on the best way to tackle the question of whether to renovate or not.

In our region, major renovations need to be considered quite carefully.

Western Australia

Perth

Corelogic recorded a 0.2 per cent price increase in the Perth median house price to $477,000 throughout April, indicating that values remained steady in the initial impact stages of COVID-19.The number of listings decreased five per cent compared to the previous month with 11,670 properties recorded for sale at the end of April, which is below historical numbers and indicates that the market is moving towards a period of undersupply – depending on where demand levels out.

When home open inspections were temporarily banned due to the Coronavirus restrictions, the Real Estate Institute of Western Australia (REIWA) recorded under 300 sales transactions per week during April compared to recording over 500 transactions per week over the same period last year. The week ending 10 May recorded a 32.7 per cent increase in sales activity with 527 sales recorded in the Perth region compared to the previous week. Confidence within the market is slowly beginning to recover which has been helped by home opens being reinstated with a maximum of 10 people allowed and a further maximum of 20 people allowed as of 18 May.

Within Perth, the REIWA recorded 5420 properties for rent as of 10 May, which is a four per cent decrease in comparison to four weeks before and 23 per cent lower than this time last year.Leasing activity has increased by 31.5 per cent from the end of April to the start of May.

Until recently, agents across south-west Western Australia were experiencing very few enquiries and were frustrated by the inability to interact with potential purchasers due to restrictions on home opens.As a result of the lack of sales transactions, it has been difficult to get any firm idea as to the effect on values.The easing of Coronavirus restrictions has seen a flurry of new enquiries however it is not yet back to the pre-pandemic levels.

Confidence within the market is slowly beginning to recover.

Prior to the world pandemic, Western Australia's property market was improving consistently with consecutive levels of growth being recorded. Senior Research Analyst for Domain, Nicola Powell, said that houses in Perth were being discounted at an average rate of 7.85 per cent during April, compared to 11.9 per cent recorded last year.One real estate agent reported that 60 per cent of their transactions were between one and three per cent of the original asking price.Many believe that Western Australia will perform stronger than other states given its stage of the property cycle before the impact of COVID-19, however many industry experts have stressed concern that the government incentives are only a short term solution and that we could be in for more pain in the long run.

Renovations

The Coronavirus pandemic has produced very few upsides, however one positive outcome has been the increased time spent with our families, friends and loved ones.The extended homestay period has brought boredom to a whole new level for some. The COVID-19 restrictions have given stir-crazy homeowners the chance to review their living spaces, with many people looking at ways to further improve their homes.

Renovating is well known for increasing the value of property as well as bringing new life to dated dwellings, however we do know that alterations almost never boost value at a one-to-one ratio with cost.With many experts tipping the Australian property market to plummet between one to twenty per cent over the coming year, renovating could look like a fine prospect to offset some of that damage for people with job security.Though solid statistics are sparse, one article by 9 News suggests that Australian renovation jobs were down 15.55 per cent in April 2020 compared to March, however this is not in line with the anecdotal evidence we are seeing on the ground. Commonwealth Bank of Australia economist, Gareth Aird, recently said that "there has been a 25 per cent increase in credit and debit spending on household furnishings and equipment compared to a year ago".Simon Bligh, Chief Executive Officer of credit bureau Illion, said the average Australian spent 38 per cent more per week on home improvement compared to before the lockdown (Sydney Morning Herald, 2020).Although renovation work generally drops when there's a dip in consumer confidence, this has never been combined with residents having spare time around the house, so it will be interesting to see which way the pendulum swings over the June quarter, especially since restrictions appear to be changing almost weekly.

In the early stages of the pandemic, much of the expectation was for renovation work to slow down as the supply chain for home improvement parts and equipment was halted and product availability from China was lacking.On top of this, looming social distancing restrictions posed a threat to tradespeople working in close quarters. Fortunately, as of 18 May, restrictions were relaxed to allow gatherings of up to 20 people. This should provide some relief to developers, builders and tradespeople alike, however applying the four square metre rule may still be tricky in some work sites.

Many building and renovation businesses have had to change the way they operate alongside the rest of the country by adding services such as video call consultations, where consultants take a virtual tour through the home as the owner shows them around.Small projects such as updating blinds and carpets, landscaping, gardening and painting have seen Bunnings and other outlets quickly run out of stock and many residents have become keen DIYers during long stretches at home.

In terms of what we have experienced here in Western Australia, chatting with agents, property managers, investors and homeowners suggests that renovation work has in fact increased, particularly in the upper middle price bracket of circa $700,000 plus. This may be due to hierarchal employment and the fact that younger and older, lower income earners have (generally) been hit the hardest or are not in a financial position to be thinking of renovating.Historically low interest rates have clearly been enticing homeowners into refinancing to top up their borrowings.Historically low prices provide fantastic opportunities for anyone willing to tackle a new renovation here in Western Australia.

Figure 1 - Front: Romney Way, Parkwood Source: CoreLogic, 2020

Figure 2 - Living Area: Romney Way, Parkwood Source: CoreLogic

The Parkwood property shown in Figures 1 and 2 is under contract for $370,000.The circa 1974 build comprises four bedrooms, one bathroom and a single garage with an attached carport, built on a 713 square metre allotment.This shows exceptional value for money if you are willing to get your hands dirty and renovate, as the same block of land ten kilometres further from the CBD can cost substantially more – minus the house!

Figure 3 - Front: Artizan Pass, Piara Waters Source: CoreLogic

Figure 4 - Kitchen & Dining: Artizan Pass, Piara Waters Source: CoreLogic

This Piara Waters property (Figures 3 and 4) sold in February 2020 for $810,000.The circa 2009 build comprises four bedrooms, two bathrooms and a double garage on a 713 square metre allotment.Despite the glaringly obvious difference in the quality of improvements, it really does demonstrate the value for money in older suburbs where you can give properties a new life.If you spent $350,000 demolishing and rebuilding the Parkwood property, or less on a smaller scale renovation, then you could have a similar quality build on the same amount of land for cheaper and ten kilometres closer to the city.

The cost of renovating during the Coronavirus pandemic has seemingly remained stable (though it is hard to tell as prices fluctuate significantly from builder to builder), only increasing if time is a major factor or if products aren't available from the usual suppliers.We have however heard of projects being quoted with extended completion times due to social distancing restrictions.This should ease up as restrictions are loosened over coming months.

Generally, the cost of a major kitchen renovation starts from circa $20,000 and can increase upwards of $50,000 depending on the size of the kitchen, whether you are removing walls or choosing high quality, unique fixtures and finishes. For bathrooms, major renovations start at circa $15,000 and can carry on upwards of $30,000 (again depending on several factors).These costs can of course be lower if you are only completing minor works, spend wisely or assist in the works yourself.As noted in previous editions, Houzz Australia's 2016 Houzz and Home Report states that homeowners spent an average of $31,000 on major renovations of a large kitchen (more than 12 square metres) where all appliances and cabinetry were replaced and $21,840 for a small kitchen (less than 12 square metres).The Houzz and Home Report also showed that the average spend on major bathroom renovations was $16,440 for a large bathroom (more than five square metres) and $14,770 for a small bathroom (less than five square metres) (Domain, 2017).

Entry prices for new dwellings come in at circa $190,000 plus for a completed product.If you add in the cost of a potential demolition ($15,000 to $25,000), then you're looking at a minimum of $200,000 to $250,000 for a standard project style build.Consider renovating if your home is looking a little dated, but you love the area you live in.You can get a completely new look and fresh feel for easily under $100,000, or if you live in an older character home, finished renovations can look amazing and can be highly contested when put up on the market.

The cost of renovating during the Coronavirus pandemic has seemingly remained

Suburbs such as Mount Hawthorn, Wembley, and Mount Lawley, all being within five kilometres of the CBD, have seen a flurry of action recently. Further out of central Perth, suburbs such as Canning Vale and Atwell are creeping towards the ripe renovation age of between 30 and 35 years old - this is the median dwelling age for renovations.Canning Vale was zoned rural under the Metropolitan Region Scheme until 1994, making the residential development's age around 25 years old, so we should start to see an influx of renovation projects in these areas throughout the pandemic and beyond.

The main areas ripe for renovation in the south-west tend to be older character homes in South Bunbury and East Bunbury.A character home in need of renovation can be picked up for mid-$300,000s and once renovated, can sell for mid to high $500,000s, with higher values achievable after extensions or additions.

Other areas such as Busselton can see older homes renovated, usually as the front lot of a strata development however they are usually demolished to make way for modern units.The cost of renovations and additions are such that it is often just as affordable to construct a project style home as is the case in many of the smaller country towns.

In summary, there are many areas throughout Western Australia where renovation projects are a worthwhile exercise – however there are also areas that are ripe for gentrification, where the value add of a new dwelling easily outstrips the prospects of a renovation.Part of our service offering is the ability to offer before and after valuations based on your project plans.When weighing up where to spend your hard earned savings, it's well worthwhile paying for some professional advice.

Northern Territory

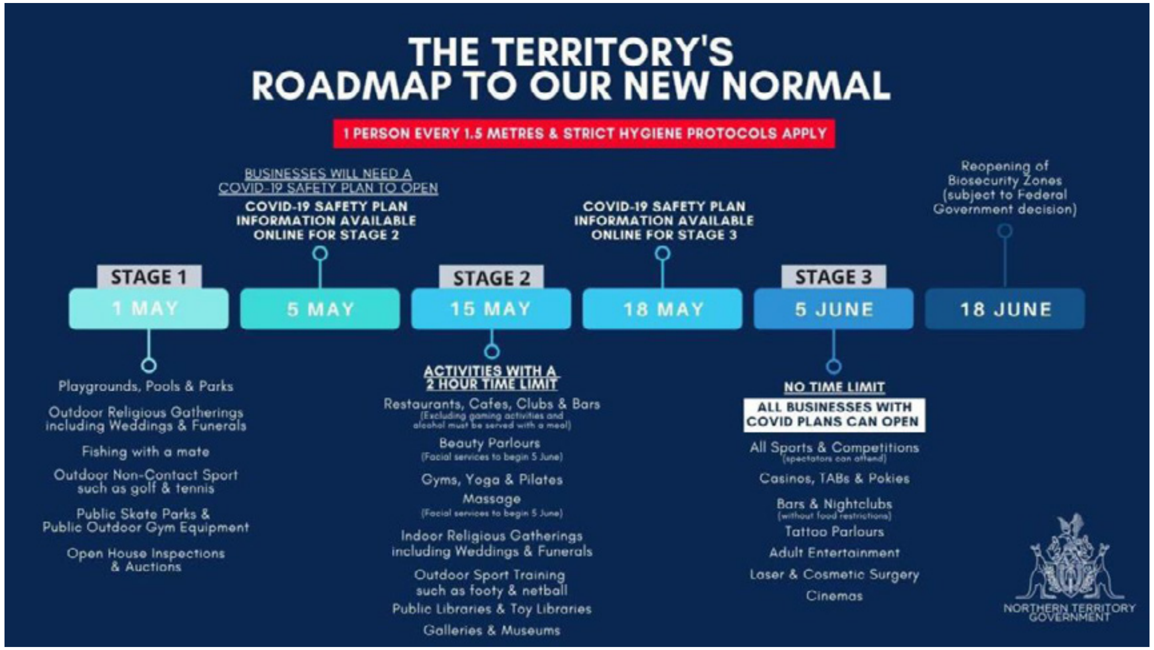
Darwin & statewide

To echo a similar sentiment to last month's Month in Review, the Northern Territory is the safest place in the country.Our Chief Minister, Michael Gunner, is quotes as saying that the Northern Territory is now "the envy of the country" and for good reason.

Firstly, only two new COVID-19 cases this month, both of whom were diagnosed while overseas and then returned home to Darwin, taking our total to 30.Apart from the two recent cases who should both make a full recovery very soon, we still have no community transmission anywhere across the Northern Territory (source: Natasha Fyles, Health Minister, Northern Territory Government), a statistic championed to and throughout our community.

On the back of this, the Northern Territory government has implemented its ground-breaking road map to the new normal (source: Secure NT) that was released on 30 April.This road map allows a slow but safe return to some normalcy across the Territory not only from a health and safety but an economic point of view.

Stage 2 was the most recent change on 15 May which saw pubs, clubs, gyms, some indoor gatherings, museums, open homes and inspections and other businesses of the like re-open, with an expected 1,500 people returning to work immediately (source: NT News).This was a welcome relief, not only as people enjoy the social interaction (from a safe distance) but also in getting the economic wheels to start turning.



As we start to see the easing of restrictions, how will this factor into the property market?In short, we are seeing a reduction in sales volumes, combined with a reduction in listings.The March 2020 quarter saw volumes fall by 27 per cent (source: REINT magazine), however as this data is captured pre-COVID-19, the June quarter will show a clearer picture as to the full effects of the virus and its impact.

Commentary in the market is echoing last month's view of a wait and see approach as we wade through the pandemic.With the return of open homes part of the easing of restrictions, hope remains that we may see an increase in transactions in the market.

One positive that has come from the virus is the rise in renovations and the associated wider reaching benefits of this.A major factor in the Northern Territory has been the release of the Home Improvement Scheme.This scheme saw an initial $30 million of funding allocated to home and also business improvements where the government will give a voucher worth $4,000 if owners contribute at least $1,000 of their own money, or a voucher worth $6,000 if they contribute at least $2,000 of their own money with the idea being to get screwdriver ready projects out the door. The scope of possible works that could be done is quite varied and only needs to be completed by someone who is a licenced trade, not related to the recipient of the grant (source: business recovery.nt.gov.au).

The uptake on this was enormous.Funding was pushed out to $100 million by the Northern Territory government with the idea of getting 20,000 applications and work to be undertaken over the next six to nine months, a great incentive for not only home improvements but a kick starter for trades and services.

Another great positive in this scheme is that investors can also benefit, the government making it clear from the onset that investors who own a home and are a resident in the Northern Territory could also benefit.

Speaking with local agents, renovated homes continue to draw good enquiry and with the easing of open home restrictions, this will only improve.Uptake of the scheme has also been varied, with homes in all areas and wide ranging price brackets taking up the opportunity to renovate and improve.

23 Yanyula Drive, Anula Source: realestate.com.au

Speaking locally, the preferred established locations are our northern suburbs.Being in a tropical climate with proximity to the beach, preferences lean towards larger outdoor living areas or the added benefit of a pool.23 Yanyula Drive, Anula is an example of a typical three-bedroom, one-bathroom home found in these

With the added benefit of a pool and larger entertaining area, this renovated home sold for $585,000.Compare this with properties without the pool or entertaining area that are currently for sale for anywhere up to $100,000 less in some locations.

There are however some minor drawbacks of the scheme.Any property owned in a trust or company name cannot apply and if a property is owned in joint names, one grant will be applied to both owners.Some works are excluded such as solar panels and works on a do-it-yourself basis. While these may frustrate some owners, we see great overall benefits for this scheme, not just for economic restart but the revitalisation of property in the Northern Territory as a whole.

Where to from here?As said in previous reviews, the matter of COVID-19 is still very much in the wait-and-see position.The Northern Territory has been tremendous in flattening the curve and we are now beginning to see the easing of restrictions as a result of the swift action taken. What does that mean for the property market?If we can continue on the current trajectory, with social distancing and also avoiding the second wave, we may see confidence return much sooner than expected with local sentiment already beginning to turn.

Australian Capital Territory

Canberra

We are now, at the time of writing this, almost two months into these tough social distancing rules, restrictions and temporary closures of many businesses across many industries.Although it feels like it has been a lot longer, it is still quite early into the influence this COVID-19 pandemic is likely to have on our lives, the (macro) economy and what was and will be considered the norm for many different things moving forward.

When specifically looking at the residential property market, there were some obvious sudden impacts, such as the banning of on-site auctions and all open homes to be by appointment only. There were also sudden changes to levels of market sentiment, for instance how confident purchasers in the market felt buying a new property and committing to a mortgage in a time of current economic uncertainty or paying top dollar for a property in a desirable location.

What has been less sudden and to be frank, what most of us are interested in, is the impact on property values.The property market (value speaking) is a lag indicator, so changes in value due to the COVID-19 pandemic are still too early to call, however to get some indication of where things are tracking, the best evidence to look at is: properties that have sold from April to now; how long properties are taking to sell; and whether there have been (and how many) downward price adjustments made to properties with an advertised price guide.Speaking specifically of Canberra, the market has held its ground since late March with

Speaking specifically of Canberra, the market has held its ground since late March with prices remaining consistent with pre-COVID-19 levels.

prices remaining consistent with pre-COVID-19 levels, but moving forward, it may be a case of groundhog day with prices remaining where they are and growth very much negated by the fact that confident market sentiment is no longer there.

The topic of renovations and value-adding is a contentious one.Generally speaking, the kitchen and bathroom areas of a property are where it is wise to invest capital, either through regular maintenance or upgrading, as these are focal communal points of a property where significant time is spent.In current circumstances, it is those who bought five plus years ago who are in the best position to do this, drawing on the growth in their equity of their property from good capital growth to pay for renovations to invest back into their property.

A local example is a property in the south side suburb of Chisholm, which has a median house price of $607,500 (source: realestate.com.au pricing data as at 28 April 2020).Comprising a small, 1990s built three-bedroom, one-bathroom dwelling with a dated fit-out located on a small block, it was purchased in 2001 for a figure in the vicinity of $150,000.Valued as it was, a figure of $450,000 was adopted based on the valuation assessment method.This represented a tripling in its value over that time period just from capital growth.The client was able to tap into the increase in their equity to undertake an internal renovation.

Those who purchased during the market peak (2018 to 2019) haven't seen the previous levels of growth continue, so the growth in their equity may not be sufficient enough to use to undertake renovations.

Day-to-day work volumes on a ground level haven't shown any noticeable increase in the number of requests coming through for owner occupied or investor properties being renovated.The desire to undertake such a project may be there, as more people work from home and become aware of dated internal fit-outs or neglected maintenance, however home renovations are likely to be considered a luxury and non-necessity, therefore in a period of restrained consumer spending, there hasn't been a sudden rise in the number of renovation jobs for established properties.

Those that are coming through tend to be owner-occupied properties.Property owners in a position to invest back into their property are doing so for their primary place of residence and it tends to be suburbs where the majority of the residential stock was established in the mid-1980s and early 1990s, such as Isabella Plains, Calwell and Theodore. These properties are now 25 plus years old and are showing their age through dated internal fit-outs and worn appliances.In the current circumstances, *Saw a client in the suburb of Richardson source two quotes for the renovation of their bathroom. The two quotes were $40,000 and $25,000.*

these properties also tend to be the most sensible to renovate, particularly three-bedroom properties, as their buy-in price point tends to be in the low to mid $500,000 range.Their post-renovation buy-in price point usually ranges from high $500,000 to mid $600,000 depending on the level of finishes and if the property is a bathroom plus ensuite property.Properties within this price range are sensible to renovate as they are consistently within an in-demand price range due to their relative affordability in the context of Canberra, where the median house price at the end of 2019 was $788,621 (source: domain.com.au - Domain House Price Report, December Quarter 2019).

When renovating your property it is also important to consider that a half-hearted approach, so to speak, won't necessarily see an increase in value as opposed to a full renovation, for example, if your property has a dated internal fit-out, choosing to (just) update the vanity unit in the bathroom, or appliances only in the kitchen but leaving everything else as is.This is often because it is an expectation of the market that these high-use items are in good working order and merely updating them is bringing the property in line with what the market expects when paying for a habitable property.To maximise any increase in value when renovating, it is best to do a full kitchen or bathroom renovation.

Another important thing to consider is price.It is important to source multiple quotes.One local example saw a client in the suburb of Richardson source two quotes for the renovation of their bathroom, which was a relatively small size, measuring 5.4 square metres. The two quotes were $40,000 and $25,000.Richardson is one of Canberra's most affordable suburbs and to outlay a significant sum for a small bathroom renovation did not make economic sense as buyer demand for high-end bathroom fit-outs in Richardson isn't strong.Before undertaking any renovation work, consider what the market demands in a specific location in order to invest effectively and avoid overcapitalising.

Tasmania

Hobart/Launceston/regional

At the time of writing there are only 11 active Covid-19 infections in the state, four of those being hospitalised.

Restrictions are slowly easing. Real estate agents can hold socially-distanced open homes and auctions.

However it is going to be a while before the island state is open to tourists from the mainland again with the premier saying he will announce in July when we may expect the border restrictions to ease.

Onto renovations and our 'big green' hardware stores have been the go-to during the last few months. Like elsewhere in the country many Taswegians have been working from home (or being out of work at home) and thus have the opportunity to tend to those odd jobs. However we have not seen wide scale larger renovations/extensions. Builders have reported an increase in the smaller jobs but a decrease in quoting opportunities for those larger capital expenditure projects.

Interestingly some Airbnb operators are taking this opportunity to undertake maintenance and upgrading works while their properties are having down time. Initially we did see a rush of these types of properties into the traditional rental market. This transition has now slowed with owners now choosing to undertake maintenance and wait it out.

The obvious withdrawal of mainland buyers from our market would be expected to open up opportunities for the local buyer and even local first home buyer. Headline reports had sales activity down a third in April in some markets. However we have not yet seen any discernible movement in pricing. Nor have there been a rush of first home buyers into the market. Perhaps the talk that the State Government is going to raise the FHG from the current $20,000 to $40,000 is the incentive this buying segment needs to keep their powder dry for the moment!

There is a general feeling with the easing of restrictions that the island with its natural 'ocean barrier protection' is well positioned to work its way out of the last few months. Hopefully the state will soon be virus clear. This can only enhance our clean/green image to the wider world and potentially encourage further migration from the mainland states and territories.

Interesting times ahead!

> *Onto renovations and our 'big green' hardware stores have been the go-to during the last few months.*